This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into any agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

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

*This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities to be issued under the Programme (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any State of the United States or other jurisdiction, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The securities will be offered only outside the United States in reliance on Regulation S under the Securities Act.*

Notice to Hong Kong investors: *The Company confirms that the Instruments (as defined below) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and will be listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on that basis. Accordingly, the Company confirms that the Instruments are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR

遠東宏信有限公司
FAR EAST HORIZON LIMITED

FAR EAST HORIZON LIMITED

(the "**Company**")

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3360)

US$4,000,000,000 Medium Term Note and Perpetual Securities Programme

(the "**Programme**")

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

Please refer to the offering circular dated 13 July 2022 (the "**Offering Circular**") appended hereto in relation to the Programme. As disclosed in the Offering Circular, the medium term notes and/or perpetual securities (collectively, the "**Instruments**") to be issued under the Programme will be intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be listed on the Hong Kong Stock Exchange on that basis.

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

By order of the Board
Far East Horizon Limited
KONG Fanxing
Chief Executive Officer and Executive Director

Hong Kong, 14 July 2022

As at the date of this announcement, the executive directors of the Company are Mr. KONG Fanxing and Mr. WANG Mingzhe, the non-executive directors of the Company are Mr. NING Gaoning (Chairman), Mr. YANG Lin, Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW, and the independent non-executive directors of the Company are Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming.

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OFFERING CIRCULAR DATED 13 July 2022

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A UNDER THE SECURITIES ACT (AS DEFINED BELOW) ("**RULE 144A**") OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (AS DEFINED BELOW) ("**REGULATIONS**")) PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

Confirmation of your Representation: In order to be eligible to view the following Offering Circular or make an investment decision with respect to the securities, investors must be either (I) qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act) or (II) non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the following Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

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

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

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, China International Capital Corporation Hong Kong Securities Limited nor Deutsche Bank AG, Hong Kong Branch (the "**Arrangers**") nor Agricultural Bank of China Limited Hong Kong Branch nor Australia and New Zealand Banking Group Limited nor China International Capital Corporation Hong Kong Securities Limited nor Citigroup Global Markets Limited nor DBS Bank Ltd. nor Deutsche Bank AG, Hong Kong Branch nor The Hongkong and Shanghai Banking Corporation Limited nor Industrial and Commercial Bank of China (Asia) Limited nor Standard Chartered Bank nor Standard Chartered Bank (Hong Kong) Limited nor UBS AG Hong Kong Branch (the "**Dealers**"), nor any person who controls the Arrangers or the Dealers, nor any director, officer, employee or agent of the Issuer or the Arrangers or the Dealers, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

遠東宏信有限公司
FAR EAST HORIZON LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 3360)

U.S.$4,000,000,000

Medium Term Note and Perpetual Securities Programme

Under the Medium Term Note and Perpetual Securities Programme described in this Offering Circular (the "**Programme**"), Far East Horizon Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**"), senior perpetual securities (the "**Senior Perpetual Securities**") and the subordinated perpetual securities (the "**Subordinated Perpetual Securities**", and together with the Senior Perpetual Securities, the "**Securities**", and the Notes and the Securities are collectively referred to as the "**Instruments**" and "**Instrument**" shall be construed accordingly). The aggregate nominal amount of Instruments outstanding will not at any time exceed U.S.$4,000,000,000 (or the equivalent in other currencies), subject to increase as described herein. Notes may be issued in bearer or registered form. Securities shall be issued in registered form. Instruments may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer the Issuer may appoint under the Programme from time to time (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 Instruments being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Instruments.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**HKSE**") for the listing of the Programme during the 12-month period after the date of this Offering Circular on the HKSE 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), (the "**Professional Investors**") only. This document is for distribution to Professional Investors only.

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

The 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 Instruments on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Instruments, the Issuer or the Group (as defined herein) 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.

The listing of the Programme is expected to become effective on or about 14 July 2022. Unlisted Instruments and Instruments 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 (as defined in "*Summary of the Programme*") in respect of the issue of any Instrument will specify whether or not such Instruments will be listed on the HKSE (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system). Instruments listed on the HKSE will be traded on the HKSE in a board lot size of at least HK$500,000 (or its equivalent in other currencies). Notice of the aggregate nominal amount of any Instrument, interest (if any) payable in respect of Notes, distribution (if any) payable in respect of Securities, the issue price of Instruments and any other terms and conditions not contained herein which are applicable to each series of Instruments will be set out in the relevant Pricing Supplement which, with respect to Instruments to be listed on the HKSE, will be delivered to the HKSE, on or before the date of issue of such series of Instruments.

Each Series (as defined in "*Summary of the Programme*") of the Notes in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Notes**"). Interests in temporary Global Notes generally will be exchangeable for interests in permanent Global Notes or, if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche upon certification as to non-US beneficial ownership. Interests in permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part, as described under "*Form of the Instruments*". Instruments in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's or Securityholder's entire holding of the Instruments in registered form of one Series. Global Notes and Global Certificates (as defined below) may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") (the "**Common Depositary**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**").

Where applicable for a relevant Tranche of Instruments, the Instruments will be issued within the quota granted pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt and Registrations (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資)[2015]2044號) by the National Development and Reform Commission (the "**NDRC**") which came into effect on 14 September 2015 (the "**NDRC Circular**") and other applicable implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time. After the issuance of such relevant Tranche of Instruments, the Issuer intends to provide or cause to be provided the requisite information on the issuance of such Instruments to the NDRC within the time period as required by the NDRC.

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Instruments are being offered and sold by the Dealers outside the United States in accordance with Regulation S of the Securities Act ("Regulation S") and, if in the United States, only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act ("Rule 144A"). Prospective investors are hereby notified that sellers of Instruments may be relying on the exemption from provisions of Section 5 of the Securities Act provided by Rule 144A. Any Series of Instruments may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Instruments will specify any such restrictions. See "*Subscription and Sale*" and the relevant Pricing Supplement. Registered Instruments are subject to certain restrictions on transfer as described in "*Subscription and Sale*."

MiFID II product governance/target market – The Pricing Supplement in respect of any Instrument may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (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 Instruments (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 Instrument is a manufacturer in respect of such Instruments, 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 Instrument may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any 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 Instruments (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 Instrument is a manufacturer in respect of such Instrument, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

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

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – If the Pricing Supplement (as defined in "*Summary of the Programme*") in respect of any Instrument includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", such Instrument are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the 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 (the "**UK MiFIR**"); 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 Instruments or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE (2020 REVISED EDITION)

The Pricing Supplement in respect of any Instrument may include a legend entitled "*Singapore Securities and Futures Act Product Classification*" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore (2020 Revised Edition) (the "**SFA**").

The Issuer will make a determination in relation to each issue about the classification of the Instruments being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

BENCHMARKS REGULATION: Interest and/or other amounts payable under the Instruments may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the applicable Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmarks Regulation. Not every reference rate will fall within the scope of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Pricing Supplement (or, if located outside the European Union, recognition, endorsement or equivalence). The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Pricing Supplement to reflect any change in the registration status of the administrator.

UK BENCHMARKS REGULATION: Interest and/or other amounts payable under the Instruments may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of English law by virtue of the European Union (Withdrawal) Act (the "**UK Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the applicable Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the Financial Conduct Authority pursuant to Article 36 of the UK Benchmarks Regulation. Not every reference rate will fall within the scope of the UK Benchmarks Regulation. Transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Pricing Supplement (or, if located outside the European Union, recognition, endorsement or equivalence). The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Pricing Supplement to reflect any change in the registration status of the administrator.

The Programme is rated "BBB-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors ("**S&P**"). The ratings assigned to the Programme are only applicable to the Notes; ratings in respect of the Securities issued may be separately obtained. These ratings are only correct as at the date of this Offering Circular. Instruments issued under the Programme may be rated or unrated. Where a Tranche of Instruments is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. Where an issue of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Instruments in registered form ("**Registered Instruments**") and which are being offered and sold in accordance with Regulation S ("**Unrestricted Instruments**") will initially be represented by a permanent registered global certificate of the Notes or, as the case may be, of the Securities (each an "**Unrestricted Global Certificate**") without interest coupons. Registered Instruments that are being offered and sold in reliance on Rule 144A ("**Restricted Instruments**") will bear the Securities Act Legend (as defined in each of the amended and restated trust deed in relation to the Notes dated 13 July 2022 (the "**Notes Trust Deed**") and the amended and restated trust deed in relation to the Securities dated 13 July 2022 (the "**Securities Trust Deed**")) and will initially be represented by a registered global certificate of the Notes or, as the case may be, of the Securities (each, a "**Restricted Global Certificate**", and together with the Unrestricted Global Certificates, the "**Global Certificates**"), without interest coupons. The Global Certificates of the Notes and of the Securities will each be deposited on the relevant issue date with (i) a custodian (the "**Custodian**") for, and registered in the name of a nominee for, The Depository Trust Company ("**DTC**") or (ii) a common depositary on behalf of Euroclear and Clearstream or, as the case may be, a sub-custodian for the CMU. Beneficial interests in Global Certificates will be shown on, and transfers thereof will be effected only through records maintained by Euroclear and Clearstream, the CMU and DTC and their account holders.

Investors should be aware that Securities to be issued under the Programme have no maturity and Securityholders may not receive Distribution (as defined in Securities Trust Deed) if the Issuer chooses to defer the Distribution. See "*Risk Factors*" beginning on page 19. In addition, there are various other risks relating to the Notes and the Securities, the Issuer and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in any Instrument. **Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular in connection with an investment in Instruments.**

Arrangers

China International Capital Corporation **Deutsche Bank**

Dealers

Agricultural Bank of China Limited Hong Kong Branch **ANZ** **China International Capital Corporation**

Citigroup **DBS Bank Ltd.** **Deutsche Bank** **HSBC**

ICBC (Asia) **Standard Chartered Bank** **UBS**

The date of this Offering Circular is 13 July 2022

The Issuer having made all reasonable enquiries, confirms that, to the best of its knowledge and belief, (i) this Offering Circular contains all information with respect to the Issuer, the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Instruments that is material in the context of the issue and offering of the Instruments, (ii) the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading in any material respect, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Group, and the Instruments, the omission of which would, in the context of the issue and offering of the Instruments, make any statement in this Offering Circular misleading in any material respect and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

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

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

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules, any Dealer subscribing for any Instrument is a manufacturer in respect of such Instruments, 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 may include a legend entitled "*UK MiFIR product governance*" which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any 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 Instruments (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 Instrument is a manufacturer in respect of such Instruments, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

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

UK PRIIPS REGULATION/IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Instrument includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the 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 (the "**UK MiFIR**"); 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 Instruments or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SFA

The Pricing Supplement in respect of any Instrument may include a legend entitled "*Singapore Securities and Futures Act Product Classification*" which will state the product classification of the Instruments pursuant to section 309B(1) of the SFA. The Issuer will make a determination in relation to each issue about the classification of the Instruments being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the Issuer, the Group, or the issue or sale of any Instrument and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer, the Arrangers, any of the Dealers, the Trustee and the Agents (each as defined in "**Summary of the Programme**"). Neither the delivery of this Offering Circular nor any Pricing Supplement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or 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 of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents represents that this Offering Circular may be lawfully distributed, or that any Instrument may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any available exemption, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers, the Dealers, the Trustee or the Agents which would permit a public offering of any Instrument or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Instruments may be offered or sold, directly or indirectly, and neither this Offering Circular, any Pricing Supplement nor 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.

The distribution of this Offering Circular and any Pricing Supplement and the offering or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. The Instruments 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 Notes in bearer form that are subject to U.S. tax law requirements. The Instruments may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act.

The Instruments are being offered and sold, in the case of Bearer Notes and Unrestricted Instruments outside the United States, in reliance on Regulation S and, in the case of Restricted Instruments, within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Instruments may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Any Series of Instruments may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Instruments will specify any such restrictions. See "*Subscription and Sale*" and the relevant Pricing Supplement. Registered Instruments are subject to certain restrictions on transfer as described in "*Subscription and Sale*." The Issuer is not, and the Arrangers and Dealers are not, making an offer to sell the Instruments in any jurisdiction where such offer or sale would be unlawful. The Instruments are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. Prospective purchasers should be aware that they might be required to bear the financial risks of an investment in the Instruments for an indefinite period of time.

For a more complete description of these and certain further restrictions on offers, sales and transfers of Instruments and distribution of this Offering Circular, see "*Subscription and Sale*" and "*Transfer Restrictions*" in this Offering Circular.

NEITHER THE PROGRAMME NOR THE INSTRUMENTS HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF INSTRUMENTS OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for or purchase, any Instrument.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE Rules**") for the purpose of giving information with regard to the Issuer and the Group. The Issuer 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. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

None of the Arrangers, the Dealers, the Trustee or the Agents has separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents accepts any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information, or for any other statement made or purported to be made by an Arranger, a Dealer, the Trustee, an Agent or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or on their behalf, in connection with the Issuer, the Group or the issue and offering of the Instruments in this Offering Circular. The Arrangers, each Dealer, the Trustee, each Agent and their respective affiliates, directors, officers, employees, agents, representatives and advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular or of any such information should purchase the Instruments. Each potential purchaser of the Instruments should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of the Instruments should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Instruments should be based upon such investigation as it deems necessary.

None of the Arrangers, the Dealers, the Trustee or the Agents undertakes to review the prospectus, results of operations, financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular or to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee or the Agents.

In connection with the issue of the Instruments, 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) in the relevant Pricing Supplement may over-allot Instruments or effect transactions with a view to supporting the price of the Instruments at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "Hong Kong" or "Hong Kong SAR" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" are to the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to "**HK$**" are to Hong Kong dollars, to "**CNY**" or "**RMB**" are to Renminbi, the currency of the People's Republic of China, to "**JPY**" or to Japanese Yen, to "**U.S.$**" or "**USD**" are to U.S. dollars, to "**sterling**" or "**£**" are to the currency of the United Kingdom and to "**euro**" or "**C**" are to the lawful currency of member states of the European Union ("**Member States**") that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.3726 to U.S.$1.00, the noon buying rate in the City of New York for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 December 2021. All such translations in this Offering Circular are provided solely for reference and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars at any particular rate or at all.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a corporation organised under the laws of Hong Kong. All or a substantial portion of the assets of the Issuer are located outside the United States. In addition, substantially all of its officers and directors reside outside the United States and a substantial part of the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or to enforce against the Issuer based on judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities and Exchange Act of 1934 (the "**Exchange Act**"). The words "**anticipate**", "**believe**", "**expect**", "**plan**", "**intend**", "**targets**", "**aims**", "**estimate**", "**project**", "**will**", "**would**", "**may**", "**could**", "**continue**" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the Group's financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group expects to operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors referenced in this Offering Circular:

- the competitive industries in which the Group operates;
- industry risks in the financial leasing business;
- general economic, political and social conditions and developments in the PRC and other jurisdictions in which the Group operates;
- the Group's ability to meet financial and other covenants provided under its financing agreements;
- legal proceedings and regulatory investigations; and
- other risks identified in the "**Risk Factors**" section of this Offering Circular.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Forward-looking statements speak only as of the date of this Offering Circular and the Issuer expressly disclaims any obligation or undertaking to update publicly or revise any forward-looking statements in this Offering Circular to reflect any change in the Group's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, there can be no assurance that projected results or events will be achieved and undue reliance should not be placed on these statements.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Instrument are "**restricted securities**" as defined in Rule 144(a)(3) under the Securities Act, the Issuer will during any period in which it is neither subject to section 13 or 15(d) of the Exchange Act, nor exempted from reporting thereunder pursuant to Rule 12g3-2(b) under the Exchange Act, furnish, upon request, to any holder or beneficial owner of such restricted securities or any prospective purchaser of such restricted securities designated by any such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner or, prospective purchaser or, as the case may be, the Trustee, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the Securities Act.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial information of the Group as of and for the years ended 31 December, 2019, 2020 and 2021 has been prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and interpretation promulgated by the Hong Kong Institute of Certified Public Accountants and is included in this Offering Circular (which have been audited by Ernst & Young, Certified Public Accounts).

The audited consolidated financial information of the Group as of and for the year ended 31 December 2019 included in this Offering Circular is derived from the Issuer's consolidated financial statements for the year ended 31 December 2020 as comparative, whereby the presentation of the consolidated statement of profit or loss is different from that included in the Issuer's consolidated financial statements for the year ended 31 December 2019. These changes in presentation have had no impact on the reported profit for the year ended 31 December 2019 or any other financial statements as of and for the year ended 2019.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) each relevant Pricing Supplement;

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

(c) the most recently published audited consolidated annual financial statements and any interim consolidated financial statements (whether audited or unaudited) published subsequent to the date of this Offering Circular from time to time,

each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents (except for document specified in (c) above, which will be available from the specified office of the Issuer) set out at the end of this Offering Circular. See "*General Information*" for a description of the financial statements currently published by the Group.

CONTENTS

SUMMARY OF THE PROGRAMME

The following summary of the Programme does not purport to be complete and 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 Instruments should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in "Form of the Instruments", "Terms and Conditions of the Notes" and "Terms and Conditions of the Securities" shall have the same meanings in this summary.

Issuer:	Far East Horizon Limited.
Programme Size:	Up to U.S.$4 billion (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Arrangers:	China International Capital Corporation Hong Kong Securities Limited Deutsche Bank AG, Hong Kong Branch.
Dealers:	Agricultural Bank of China Limited Hong Kong Branch Australia and New Zealand Banking Group Limited China International Capital Corporation Hong Kong Securities Limited Citigroup Global Markets Limited DBS Bank Ltd. Deutsche Bank AG, Hong Kong Branch The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited Standard Chartered Bank Standard Chartered Bank (Hong Kong) Limited UBS AG Hong Kong Branch
Trustee:	The Hongkong and Shanghai Banking Corporation Limited.
Issuing and Paying Agent and Transfer Agent:	The Hongkong and Shanghai Banking Corporation Limited.
Registrar for DTC Issues:	HSBC Bank USA, National Association.
Registrar for Non-DTC Issues: . .	The Hongkong and Shanghai Banking Corporation Limited.
CMU Lodging and Paying Agent:	The Hongkong and Shanghai Banking Corporation Limited.
U.S. Paying Agent, U.S. Transfer Agent and U.S. Exchange Agent:	HSBC Bank USA, National Association.

Method of Issue:	The Instruments may be issued on a syndicated or non-syndicated basis. The Instruments 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 or distribution, as the case may be, and/or the issue price) to the Instruments of each Series being intended to be interchangeable with all other Instruments 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 supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest or distribution, as the case may be, and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a "**Pricing Supplement**").
Issue Price:	The Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of the Instruments:	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. Securities shall be issued in registered form ("**Registered Securities**").
Clearing Systems:	Euroclear, Clearstream, DTC and the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent and the relevant Dealer.
Listing and Admission to Trading:	Application has been made to the HKSE for the listing of the Programme during the 12-month period after the date of this Offering Circular on the HKSE under which Instruments may be issued by way of debt issues to Professional Investors only. Separate application may be made for the listing of Instruments on the HKSE. The Instruments may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Instruments which are neither listed nor admitted to trading on stock exchange or any market may also be issued. The relevant Pricing Supplement will state whether or not the relevant Instruments are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Instruments and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law except that, in respect of the Subordinated Perpetual Securities only, the subordination provisions applicable to the Issuer set out in Condition 3.2 (*Status of Subordinated Perpetual Securities*) and Condition 3.3 (*Ranking of claims in respect of Subordinated Perpetual Securities*) shall be governed by, and construed in accordance with, Hong Kong law.

Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Instruments in the United States, the European Economic Area, the United Kingdom, the Netherlands, the People's Republic of China, Hong Kong, Singapore, Japan, Taiwan and Macau, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Instruments, see "*Subscription and Sale*" and the relevant Pricing Supplement.
United States Selling Restrictions:	Regulation S, Category 1, Rule 144A and Section 4(2), TEFRA C or D. Offers and sales in accordance with applicable exemptions from registration (Rule 144A/Section 4(2)) under the Securities Act will be permitted, if specified, in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory requirements of the United States; see "*Subscription and Sale*" and "*Transfer Restrictions*".
Rating:	The Programme has been rated BBB- by S&P. The ratings assigned to the Programme are only applicable to the Notes; ratings in respect of the Securities issued may be separately obtained. The ratings are only correct as at the date of this Offering Circular. Instruments issued under the Programme may be rated or unrated. Where an issue is rated, the rating of the Instruments to be issued under the Programme will be specified in the relevant Pricing Supplement. Where a Tranche of Instruments is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. Where an issue of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
THE NOTES	
Terms of Notes:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. Notes may be denominated in any agreed currency and with any agreed maturity, subject to any applicable legal or regulatory restrictions and any requirements of the relevant central bank (or equivalent body). The terms of the Notes will be specified in the relevant Pricing Supplement. The following types of Note may be issued: (i) Fixed Rate Notes; (ii) Floating Rate Notes; (iii) Index Linked Interest Notes; (iv) Dual Currency Notes; and (v) Zero Coupon Notes. Interest periods, rates of interest and the terms of and/or amounts payable on redemption may differ depending on the Notes being issued and such terms will be specified in the relevant Pricing Supplement.

The relevant Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The relevant 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 relevant Pricing Supplement.

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or the United Kingdom or offered to the public in a Member State of the European Economic Area or in the United Kingdom in circumstances which require the publication of a prospectus under the Prospectus Regulation or the UK Prospectus Regulation will be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

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

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Finance Services and Markets Act 2000 ("**FSMA**") by the Issuer.

Taxation: All payments in respect of the Notes will be made without withholding or deduction for, or on account of, withholding taxes imposed by any Tax Jurisdiction, subject to certain exceptions as provided in Notes Condition 8. In the event that any such withholding or deduction is made, the Issuer will, save in certain limited circumstances provided in Notes Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge: The terms of the Notes will contain a negative pledge provision as further described in Notes Condition 4.1.

Cross Default: The terms of the Notes will contain a cross-default provision as further described in Notes Condition 10.

Status of the Notes: The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Notes Condition 4.1) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Initial Delivery of Notes: On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be (i) deposited with a common depositary for Euroclear and Clearstream or (ii) deposited with a sub-custodian for the CMU or (iii) registered in the name of Cede & Co. (or such other entity as is specified in the relevant Pricing Supplement) or nominee for DTC and deposited on or about the issue date with the Custodian or (iv) deposited with any other clearing system or may be delivered outside any clearing system (such delivery in all events to be outside the United States in the case of Bearer Notes) **provided that** the Issuer, the Issuing and Paying Agent and the relevant Dealers have agreed in advance to the method of such delivery. 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 or a sub-custodian for, such clearing systems.

THE SECURITIES

Maturity Date: There is no maturity date.

Denomination: The Securities may be denominated in any agreed currency, subject to any applicable legal or regulatory restrictions and any requirements of the relevant central bank (or equivalent body).

Status of the Senior Perpetual Securities:	The Senior Perpetual Securities will constitute direct, unconditional, unsubordinated and (subject to the provisions of Securities Condition 4.1) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Status of the Subordinated Perpetual Securities:	The Subordinated Perpetual Securities will constitute direct, subordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and with any Parity Securities of the Issuer. The rights and claims of the Securityholders in respect of the Subordinated Perpetual Securities are subordinated as provided in the Securities Conditions. Subject to all applicable laws and regulations, in the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders in respect of the Subordinated Perpetual Securities shall: (i) rank ahead of those persons who claims are in respect of any Junior Securities of the Issuer; (ii) rank *pari passu* with the claims of holders of Parity Securities of the Issuer; and (iii) (save as otherwise provided in the applicable Pricing Supplement) subordinate to the claims of the general creditors of the Issuer (all terms as defined in the Securities Conditions).
Distribution Basis:	Subject to Securities Condition 5.5, the Securities confer a right to receive distributions (each a "**Distribution**") from the Issue Date at the Distribution Rate in accordance with Securities Condition 5. Subject to Securities Condition 5.5 and save as otherwise provided in the Pricing Supplement, Distributions shall be payable on the Securities semi-annually in arrear in equal instalments on each Distribution Payment Date (all terms as defined in the Securities Conditions).
Distribution Rate:	Subject to any increase pursuant to Securities Condition 5.3, the rate of distribution ("**Distribution Rate**") applicable to the Securities shall be: (i) in respect of the period from, and including, the Issue Date to, but excluding the First Reset Date, the Initial Distribution Rate; and (ii) in respect of the periods (A) from, and including the First Reset Date, to, but excluding, the immediate following Reset Date, and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

Pursuant to Securities Condition 5.3 and if so provided in the relevant Pricing Supplement, upon the occurrence of, a Breach of Covenant Event or a Relevant Indebtedness Default Event, unless (i) such event is remedied by the 30th day following its occurrence (the "**Grace Period**") or (ii) the Issuer elects to redeem the Securities by giving not less than 30 nor more than 60 days' notice to the Securityholders, the then-prevailing Distribution Rate, and (subject to Securities Condition 5.3.2) each subsequent prevailing Distribution Rate otherwise determined in accordance with the provisions of the Securities Conditions, shall be increased by the Step-up Rate with effect from (and including) the next Distribution Payment Date or, if the date on which a Breach of Covenant Event or a Relevant Indebtedness Default Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, and the Grace Period extends beyond such recent preceding Distribution Payment Date and such Breach of Covenant Event or Relevant Indebtedness Default Event, as the case may be, is not remedied upon the expiry of the Grace Period, such Distribution Payment Date; **provided that** the maximum aggregate increase in the Distribution Rate shall be the Step-up Rate and the Distribution Rate shall not in any event exceed the Maximum Distribution Rate, as further described in "*Terms and Conditions of the Securities – Distribution – Step up after occurrence of certain events*".

Distribution Deferral: . . . . Unless a Relevant Compulsory Distribution Payment Event has occurred, the Issuer may, at its sole discretion, elect to defer (in whole or in part) a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice of such election to the Securityholders, the Trustee and the Issuing and Paying Agent not more than ten nor less than five business days in Hong Kong prior to the relevant Distribution Payment Date.

For the avoidance of doubt, the Issuer's right of optional deferral pursuant to Condition 5.5.1 will not be affected solely as a result of the incurrence of any Parity Securities or Junior Securities. In addition, the incurrence of any Parity Securities (including any senior indebtedness) or Junior Securities itself will not constitute a Relevant Compulsory Distribution Payment Event. A non-discretionary payment on, or redemption of, Parity Securities or Junior Securities (such as a scheduled payment of principal and interest on such Parity Securities or Junior Securities, which the issuer thereof has no right to defer) does not constitute a Relevant Compulsory Distribution Payment Event.

Senior Perpetual Securities Compulsory Distribution Payment Event: . . . .

With respect to Senior Perpetual Securities, the Issuer may not elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date if, during the three-month period ending on the day before the relevant Distribution Payment Date, either or both of the following have occurred:

(a) a discretionary dividend, discretionary distribution or other discretionary payment has been paid or declared by the Issuer on or in respect of any of its Junior Securities or any Parity Securities (except (i) in relation to the Parity Securities of the Issuer, on a *pro rata* basis with the Senior Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); or

(b) the Issuer has at its discretion repurchased, redeemed, reduced, cancelled, bought-back or otherwise acquired for any consideration any of its Junior Securities or Parity Securities prior to its stated maturity (except (i) in relation to its Parity Securities, on a *pro rata* basis with the Senior Perpetual Securities, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities).

Subordinated Perpetual Securities Compulsory Distribution Payment Event: . .

With respect to Subordinated Perpetual Securities, the Issuer may not elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date if, during the three-month period ending on the day before the relevant Distribution Payment Date, either or both of the following have occurred:

(a) a discretionary dividend, discretionary distribution or other discretionary payment has been paid or declared by the Issuer on or in respect of any of its Junior Securities or any Parity Securities (except (i) in relation to the Parity Securities of the Issuer, on a *pro rata* basis with the Subordinated Perpetual Securities or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); or

(b) the Issuer has at its discretion repurchased, redeemed, reduced, cancelled, bought-back or otherwise acquired for any consideration any of its Junior Securities or Parity Securities prior to its stated maturity (except (i) in relation to its Parity Securities, on a *pro rata* basis with the Subordinated Perpetual Securities, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities).

No Obligation to Pay: . . . . The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Securities Condition 5.5.1.

Cumulative Deferral:. . . . . Any Distribution deferred pursuant to Securities Condition 5.5 shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the relevant notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution can be deferred pursuant to Securities Condition 5.5 except that Securities Condition 5.5.5 shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall accrue distribution at the prevailing Distribution Rate and the amount of such distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable as if it were a Distribution pursuant to Securities Condition 5 and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the provisions of Securities Condition 5. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Satisfaction of Arrears of Distribution by Payment: . . . . . The Issuer:

(i) may satisfy any Arrears of Distribution and Additional Distribution Amounts (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Securities Condition 13), the Trustee and the Issuing and Paying Agent not more than ten nor less than five business days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and any Additional Distribution Amounts on the payment date specified in such notice); and

(ii) in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amounts (in whole but not in part) on the earliest of:

(a) the date of redemption of the Securities in accordance with Securities Condition 7;

(b) the next Distribution Payment Date on the occurrence of a breach of Securities Condition 5.5.5 or the occurrence of a Relevant Compulsory Distribution Payment Event;

(c) on a Winding-Up of the Issuer; and

(d) the date of any substitution or variation in accordance with Securities Condition 15.2.

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro rata* basis.

Restrictions in the case of Deferral – Senior Perpetual Securities: . . . .

With respect to the Senior Perpetual Securities, if, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date (including any Distribution accrued but unpaid on the Senior Perpetual Securities (including any Arrears of Distribution and any Additional Distribution Amounts)) is not made in full by reason of Securities Condition 5, the Issuer shall not:

(a) declare or pay any discretionary dividends, discretionary distributions or make any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, on any of its Junior Securities or Parity Securities (except (i) in relation to Parity Securities, on a *pro rata* basis with the Senior Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements, with or for the benefit of employees, officers, directors or consultants); or

(b) at its discretion repurchase, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any of its Junior Securities or Parity Securities prior to its stated maturity (except (i) in relation to the Parity Securities, on a *pro rata* basis with the Senior Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities),

in each case, unless and until: (a) the Issuer satisfies in full all outstanding Arrears of Distribution and any Additional Distribution Amounts; or (b) it is permitted to do so by an Extraordinary Resolution (as defined in the Securities Trust Deed) of the Securityholders, **provided that** nothing in Securities Condition 5.5.5(A) shall restrict the ability of the Issuer to advance loans to any of its shareholders or shareholders of other Subsidiaries of the Issuer or otherwise invest in such shareholders' or Subsidiaries' debt, howsoever issued or represented.

Restrictions in the case of Deferral – Subordinated Perpetual Securities:	With respect to the Subordinated Perpetual Securities, if, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date (including any Distribution accrued but unpaid on the Subordinated Perpetual Securities (including any Arrears of Distribution and any Additional Distribution Amounts)) is not made in full by reason of Securities Condition 5, the Issuer shall not: (a) declare or pay any discretionary dividends, discretionary distributions or make any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, on any of its Junior Securities or Parity Securities (except (i) in relation to its Parity Securities, on a *pro rata* basis with the Subordinated Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements, with or for the benefit of employees, officers, directors or consultants); or (b) at its discretion repurchase, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any of its Junior Securities or Parity Securities prior to its stated maturity (except (i) in relation to its Parity Securities, on a *pro rata* basis with the Subordinated Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities), in each case, unless and until: (a) the Issuer satisfies in full all outstanding Arrears of Distribution and any Additional Distribution Amounts; or (b) it is permitted to do so by an Extraordinary Resolution (as defined in the Securities Trust Deed) of the Securityholders, **provided that** nothing in Securities Condition 5.5.5(B) shall restrict the ability of the Issuer to advance loans to any of its shareholders or shareholders of other Subsidiaries of the Issuer or otherwise invest in such shareholders' or Subsidiaries' debt, howsoever issued or represented.
Taxation:	All payments of principal, premium and Distribution, Arrears of Distribution and Additional Distribution Amounts by or on behalf of the Issuer in respect of the Securities by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of Hong Kong or the PRC, or any political subdivision or any authority thereof or therein having power to tax (each a "**Tax Jurisdiction**"), unless the withholding or deduction of Taxes is required by law, as further described in Securities Condition 8. In that event, the Issuer shall, subject to the limited exceptions specified in Securities Condition 8, pay such additional amounts as will result in receipt by the Securityholders of such amounts as would have been received by them had no such withholding or deduction been required.

Redemption at the Option of the Issuer:	The Issuer may, if so specified in the applicable Pricing Supplement on giving not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and the Securityholders, redeem all, but not some only, of the Securities at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amounts) (i) on the First Call Date; (ii) in the case where the First Call Date does not fall on the same date as the First Reset Date, at any time during the period from the First Call Date and (including) the First Reset Date; or (iii) on any Distribution Payment Date falling after the First Call Date.
Redemption for Tax Reasons: . . .	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee, the Issuing and Paying Agent and the Securityholders at their principal amount together with all outstanding Arrears of Distribution and any Additional Distribution Amounts (if any) and any Distribution accrued to the date fixed for redemption, if the Issuer satisfies the Trustee immediately before giving such notice that: (a) on the occasion of the next payment due under the Securities, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Securities Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Securities, **provided that**, in the case of the PRC, such change or amendment has resulted in the rate of any withholding or deduction being in excess of 10 per cent.; and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Securities then due.

Redemption for Accounting Reasons:	If so specified in the applicable Pricing Supplement, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and the Securityholders (which notice will be irrevocable) at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and Additional Distribution Amounts) if, immediately before giving such notice, as a result of any changes or amendments to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time or any other generally accepted accounting standards that may be adopted by the Issuer for the purposes of preparing its financial statements, the Securities must not or must no longer be recorded as "equity" in the financial statements of the Issuer pursuant to those accounting standards.
Redemption on the occurrence of a Breach of Covenant Event:	If so specified in the applicable Pricing Supplement, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Issuing and Paying Agent and the Securityholders at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if a Breach of Covenant Event has occurred and is continuing.
Redemption on the occurrence of a Relevant Indebtedness Default Event:	If so specified in the applicable Pricing Supplement, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Issuing and Paying Agent and the Securityholders at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if a Relevant Indebtedness Default Event has occurred and is continuing.
Redemption for Minimal Outstanding Amount:	If so specified in the applicable Pricing Supplement, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Issuing and Paying Agent and the Securityholders at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amounts), **provided that** prior to the date of such notice at least 80 per cent. in principal amount of the Securities originally issued has already been redeemed or purchased or cancelled.

Limited rights to institute proceedings:	No Securityholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in Securities Condition 10.
Proceedings for Winding-Up:	If (i) there is a final and effective court order or effective resolution for the winding-up, liquidation or similar proceedings of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer, of a successor in business, or, as the case may be, the terms of which reorganisation, reconstruction, amalgamation or substitution have been previously approved by an Extraordinary Resolution (as defined in the Securities Trust Deed)), or (ii) the Issuer shall not make payment in respect of the Securities for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities Trust Deed and the Securities and the Trustee may, subject to the provisions of Securities Condition 10.4, institute proceedings for the Winding-Up of the Issuer and/or prove in the Winding-Up of the Issuer and/or claim in the liquidation of the Issuer for the principal amount of the Securities and any Distribution accrued but unpaid, together with all outstanding Arrears of Distribution and Additional Distribution Amounts.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Issuer as at the dates and for the periods indicated.

The summary audited consolidated financial information of the Group as at and for the years ended 31 December 2019, 2020 and 2021 set forth below is derived from the Issuer's annual consolidated financial statements as at and for the years ended 31 December 2020 and 2021 prepared and presented in accordance with HKFRS and interpretation promulgated by the Hong Kong Institute of Certified Public Accountants, which are incorporated by reference in this Offering Circular and have been audited by Ernst & Young, Certified Public Accounts. The historical results do not necessarily indicate the Group's expected results for any future period.

The audited consolidated financial information of the Group as at and for the year ended 31 December 2019 incorporated by reference in this Offering Circular is derived from the Issuer's annual consolidated financial statements as at and for the year ended 31 December 2020 as comparative, whereby the presentation of the annual consolidated statement of comprehensive income is different from that included in the Issuer's annual consolidated financial statements for the year ended 31 December 2019. These changes in presentation have had no impact on the reported profit for the year ended 31 December 2019 or any other annual financial statements as at and for the year ended 31 December 2019.

The audited consolidated financial information of the Group as at and for the year ended 31 December 2020 incorporated by reference in this Offering Circular is derived from the Issuer's annual consolidated financial statements as at and for the year ended 31 December 2021 as comparative, whereby the presentation of the annual consolidated statement of profit or loss and annual consolidated statement of financial position is different from that included in the Issuer's annual consolidated financial statements as at and for the year ended 31 December 2020. These changes in presentation have had no impact on the reported profit for the year ended 31 December 2020 or any other annual financial statements as at and for the year ended 31 December 2020.

ANNUAL CONSOLIDATED INCOME STATEMENT OF THE GROUP

	For the year ended 31 December		
	2019	**2020**	**2021**
		RMB'000	
Interest Income	15,841,562	16,521,643	19,168,370
Revenue from operating leases	2,036,435	2,484,554	4,463,348
Revenue from contracts with customers	9,058,799	10,163,067	10,150,267
Tax and surcharges	(80,335)	(127,463)	(138,062)
Cost of sales	(12,525,041)	(14,076,166)	(16,431,419)
Other income and gains	1,142,487	1,979,628	3,302,992
Selling and distribution costs	(1,954,977)	(2,135,955)	(2,568,648)
Administrative expenses	(3,641,298)	(4,076,227)	(5,309,607)
Impairment losses on financial and contract assets	(1,981,596)	(2,598,922)	(1,218,533)
Gains/(losses) on disposal of financial assets measured at amortized cost	(267,914)	(129,292)	7,349
Other expenses	(214,893)	(347,808)	(1,158,812)
Finance costs	(460,632)	(617,171)	(915,665)
Share of net (losses)/profits of Associates	344,072	492,457	451,607
Share of net (losses)/profits of Joint ventures	(151,839)	(24,799)	210,111
PROFIT BEFORE TAX	7,144,830	7,507,546	10,013,298
Income tax expense	(2,316,573)	(2,474,559)	(3,785,040)
PROFIT FOR THE YEAR	4,828,257	5,032,987	6,228,258
Attributable to:			
Ordinary shareholders of the parent	4,337,602	4,575,751	5,512,245
Holders of perpetual securities	511,335	455,022	384,082
Non-controlling interests	(20,680)	2,214	331,931
	4,828,257	5,032,987	6,228,258

ANNUAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE GROUP

	For the year ended 31 December		
	2019	2020	2021
		RMB'000	
PROFIT FOR THE YEAR	4,828,257	5,032,987	6,228,258
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	469,783	(2,476,186)	(871,716)
Reclassification to the consolidated statement of profit or loss	(364,549)	2,553,261	1,128,891
Income tax effect	(24,699)	(19,408)	(44,857)
	80,535	57,667	212,318
Exchange differences on translation of foreign operations	(9,422)	141,931	68,700
Reclassification adjustments for a foreign operation disposed of during the year	–	–	14,580
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	71,113	199,598	295,598
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	71,113	199,598	295,598
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,899,370	5,232,585	6,523,856
Attributable to:			
Ordinary shareholders of the parent	4,408,715	4,775,349	5,807,843
Holders of perpetual securities	511,335	455,022	384,082
Non-controlling interests	(20,680)	2,214	331,931
	4,899,370	5,232,585	6,523,856

ANNUAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

	As at 31 December		
	2019	**2020**	**2021**
		RMB'000	
NON-CURRENT ASSETS			
Property, plant and equipment	11,582,978	16,871,601	24,530,838
Right-of-use assets	3,422,782	2,059,242	1,865,058
Prepaid land lease payments	–	–	–
Goodwill	2,321,837	2,032,232	373,982
Other intangible assets	34,465	49,129	72,228
Investments in joint ventures	2,230,724	2,326,760	2,604,136
Investment in associates	4,987,942	4,964,459	5,216,146
Financial assets at fair value through profit or loss	4,130,091	6,176,714	9,490,218
Derivative financial instruments	906,710	69,202	21,874
Loans and accounts receivables	102,379,882	106,476,358	118,618,025
Prepayments, other receivables and other assets	11,580,604	8,579,835	4,614,212
Deferred tax assets	4,181,252	5,142,900	5,394,566
Restricted deposits	3,871	142	–
Total non-current assets	147,763,138	154,748,574	172,801,283
CURRENT ASSETS			
Inventories	403,838	397,381	559,020
Loans and accounts receivables	98,741,019	122,920,949	133,599,982
Contract assets	22,646	110,132	276,859
Prepayments, other receivables and other assets	2,715,863	2,903,998	4,774,712
Debt investment at fair value through other comprehensive income	–	108,176	699,039
Financial assets at fair value through profit or loss	312,597	3,165,851	3,270,140
Derivative financial instruments	659,126	219,765	457
Restricted deposits	5,962,790	3,474,727	4,239,760
Cash and cash equivalents	3,989,571	11,877,235	15,659,036
Total current assets	112,807,450	145,178,214	163,079,005
CURRENT LIABILITIES			
Trade and bills payables	4,473,428	7,880,410	13,890,322
Other payables and accruals	17,469,463	15,223,636	16,795,266
Derivative financial instruments	28,982	297,441	1,077,111
Interest-bearing bank and other borrowings	87,744,845	103,931,451	122,694,483
Lease liabilities	236,375	237,544	163,638
Income taxes payable	1,256,882	1,764,699	2,172,065
Total current liabilities	111,209,975	129,335,181	156,792,885
NET CURRENT ASSETS	1,597,475	15,843,033	6,286,120
TOTAL ASSETS LESS CURRENT LIABILITIES	149,360,613	170,591,607	179,087,403

	As at 31 December		
	2019	2020	2021
		RMB'000	
NON-CURRENT LIABILITIES			
Convertible bonds-host debts	–	2,924,074	3,321,086
Interest-bearing bank and other borrowings	74,651,421	98,360,630	104,185,173
Lease liabilities	1,636,702	583,048	443,377
Derivative financial instruments	155,532	1,557,724	1,291,753
Deferred tax liabilities	236,648	244,077	386,850
Other payables and accruals	24,521,974	16,304,185	9,960,457
Deferred revenue	1,054,306	1,064,019	1,465,194
Other non-current liabilities	5,569,255	4,286,717	4,979,403
Total non-current liabilities	107,825,838	125,324,474	126,033,293
Net assets	41,534,775	45,267,133	53,054,110
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	10,281,212	10,397,104	13,042,863
Equity component of convertible bonds	–	338,050	233,750
Reserves	19,847,224	23,384,298	28,245,937
	30,128,436	34,119,452	41,522,550
Holders of perpetual securities	9,860,211	8,478,063	7,514,376
Non-controlling interests	1,546,128	2,669,618	4,017,184
Total equity	41,534,775	45,267,133	53,054,110

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Group or that it currently deems immaterial may also adversely affect the Group's business, financial condition or results of operations or the value of the Instruments. The Group believes that the risk factors described below represent the principal risks inherent in investing in the Instruments, but the inability of the Group to make payment on or in connection with any Instrument may occur for reasons which may not be considered as significant risks by the Group based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

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

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESS

Any inability to effectively mitigate credit risk and maintain its asset quality may have a material adverse impact on the Group's business, financial condition and results of operations

The sustainability of the Group's business and future growth depends largely on its ability to effectively manage its credit risk and maintain the quality of its receivables portfolio. As such, any deterioration in its asset quality or impairment in the collectability of lease receivables could materially and adversely affect its results of operations. The Group's non-performing assets ratios were 1.11 per cent., 1.10 per cent. and 1.06 per cent. as at 31 December 2019, 2020 and 2021, respectively. The Group may not be able to effectively control the level of its non-performing assets in its current lease receivables portfolio or effectively control the level of new non-performing assets in the future. The amount of the Group's non-performing assets may increase in the future due to a substantial increase in its lease contract value, a deterioration in the quality of its lease receivables portfolio, or a decline in the quality of future receivables. The Group's net lease receivables from customers were RMB186,868.9 million, RMB208,625.2 million and RMB222,543.5 million as at 31 December 2019, 2020 and 2021, respectively.

The quality of the Group's lease receivables portfolio may deteriorate for a variety of reasons, including factors beyond its control, such as a slowdown in the economic growth of the PRC or global economies, including but not limited to as a result of recent U.S. – Sino trade tensions, a recurrence of a global credit crisis or other adverse macroeconomic trends which may cause operational, financial and liquidity problems for its customers thereby affecting their ability to make timely lease payments. Please see "*Any slowdown in the Chinese economy may affect the target industries in which the Group operates and result in a material adverse effect on the Group's business, results of operations, financial condition and prospects*". If the level of its impaired lease receivables increases, the Group's business, financial condition and results of operations may be materially and adversely affected.

Any inability to effectively manage its cash flow position may have a material adverse impact on the Group's liquidity and its continuing position in net cash outflows from operating activities

The Group has experienced periods of net cash outflows from operating activities in the past. For the years ended 31 December 2020 and 2021, the Group recorded net cash outflows from operating activities amounting to RMB24,462.4 million and RMB14,867.5 million, respectively, as compared to a net cash inflow from operating activities amounting to RMB18,389.1 million for the year ended 31 December 2019. As the Group engages in the business of financial leasing, it correspondingly increases its bank and other borrowings, which are recorded as cash inflows from financing activities. The Group recorded cash inflows from financing activities of RMB42,942.8 million and RMB28,515.7 million for the years ended

31 December 2020 and 2021, respectively, while it recorded a net cash outflow from financing activities of RMB13,517.6 million for the year ended 31 December 2019. Such fluctuations in the Group's cash flows from financing activities were primarily a result of (i) cash outflows due to repayments on borrowings and (ii) cash inflows due to cash received from borrowings. To be specific, for the years ended 31 December 2020 and 2021, cash outflows due to repayments on borrowings were RMB120,061.7 million and RMB158,592.0 million, respectively, while cash inflows due to cash received from borrowings were RMB162,505.9 million and RMB184,649.2 million, respectively. In comparison, for the year ended 31 December 2019, cash outflows due to repayments on borrowings were RMB110,220.9 million, while cash inflows due to cash received from borrowings were RMB99,485.1 million. At the same time, the Group's cash flows from operating activities were also impacted by its ability to collect on its outstanding lease receivables. Therefore, the Group's net cash flows from operating activities could be adversely impacted if it does not effectively manage its credit risk and fails to maintain the quality of its lease receivables portfolio and the Group cannot guarantee that it will not experience periods of net cash outflow from operating activities in the future. The Group's liquidity in the future will to some extent depend on its ability to maintain adequate cash inflows from operating activities, collected primarily from its outstanding lease receivables. If the Group does not effectively manage its credit risk, or should there be any prolonged or significant decrease in the quality of its lease receivables portfolio, its liquidity and cash flows from operating activities could be materially and adversely affected.

The Group cannot guarantee that it can or will continue to match the maturity profile of its assets and liabilities as both its assets and liabilities grow. Any inability to do so will impact its liquidity and its ability to repay its borrowings and settle its outstanding liabilities, which could have a material adverse effect on its business, financial condition and results of operations

The Group strives to effectively match its asset growth with its fundraising on an ongoing basis through regular review and periodic adjustment of its funding sources and structure, as necessary, in view of the changes to its internal financial condition and its external business environment. As at 31 December 2019, 2020 and 2021, the Group's total financial assets, based on the contractual undiscounted cash flows, amounted to RMB250,970.6 million, RMB288,173.7 million and RMB318,800.7 million, respectively, while its total financial liabilities, based on the contractual undiscounted cash flows, amounted to RMB214,114.3 million, RMB248,204.7 million and RMB283,650.5 million, respectively. The Group manages its liquidity risk by maintaining the stability of the leasing business, projecting cash flows, maintaining an efficient internal fund transfer mechanism, regularly monitoring the relative maturities between its assets and liabilities and by taking the necessary steps to maintain an appropriate and prudent balance of long-term and short-term funding sources. The Group manages its interest rate exposure by regularly assessing potential changes in interest rates using gap analysis. While the Group did not experience liquidity shortfalls for the years ended 31 December 2019, 2020 and 2021 with respect to its financial assets and liabilities as a whole or with respect to its current financial assets and liabilities (receivable or payable in one year or less), there is no assurance that the Group will continue to maintain this in the future. The Group may fail to effectively match the relative maturities of its assets and liabilities or manage its interest rate exposures between its borrowings and its lease receivables. Net liquidity shortfalls may occur and the Group may not be able to meet its financial liabilities as they fall due. In addition, such liquidity shortfalls may also impair the Group's ability to obtain sufficient additional financing, if at all. As a result, the Group's liquidity may be impaired, which would have a material adverse effect on its business, financial condition and its results of operation.

The Group may not be able to obtain sufficient funds on commercially acceptable terms to finance its operations or expansion plans, or at all

Due to the capital-intensive nature of its business operations, a substantial amount of capital as well as ongoing funding activities are required to support the growth of the Group's lease receivables portfolio and to fund future expansion. The Group primarily funds its operations and expansion through both domestic and foreign bank loans and cash flow from its operations. As at 31 December 2021, the aggregate amount of current and non-current borrowings of the Group was RMB122,694.5 million and RMB104,185.2 million, respectively. If there are changes in the international and/or domestic macroeconomic conditions or policies, or if the Group fails to maintain its existing and future loan arrangements on commercially acceptable terms, the Group may not be able to continue to obtain adequate funding in the future on reasonable commercial terms, or at all. If sufficient financing is not available to meet its needs, or cannot be obtained on commercially acceptable terms, or at all, the Group may not be able to refinance its existing portfolio, fund the operation and/or expansion of its business, introduce new services or compete effectively.

Since 2017, major central banks in the world withdrew quantitative easing monetary policy, reduced the scale of the balance sheet and entered the interest rate hike cycle. On the other hand, domestically, with tightening of the medium- and long-term monetary policy and the continued decline in the growth rate of money supply, financial supervision continued to increase. The financial market as a whole tended to be tight. While the growth rate of financing slowed down, the interest rate of the money market and the yield of the bonds market continued to increase.

In recent years, the People's Bank of China ("**PBOC**") has adjusted the benchmark interest rates, the one-to-three year Renminbi lending rates and three-to-five year Renminbi lending rates several times. Since 2012, the PBOC has reduced the benchmark one-year lending rate several times, to the rate of 4.35 per cent. in October 2015, where it has been maintained. The Group holds financial assets and financial liabilities on both fixed and floating rates. It is therefore exposed to interest rate risk as the fair value or future cash flows of a financial instrument will fluctuate when market interest rate changes. The Group's exposure to the risk of such changes in market interest rate relates primarily to its interest-bearing bank and other borrowings and lease receivables and factoring receivables. For the year ended 31 December 2021, assuming that all other variables are held constant and based on the financial assets and financial liabilities as at 31 December 2021 (subject to re-pricing within the coming period), the Group's profit before tax may decrease up to RMB20.2 million when there is a decrease in interest rate of 100 basis points. To manage its interest rate risk, the Group monitors the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to continuously monitor the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk measures to mitigate such risk. As at 31 December 2021, the net interest rate sensitive liabilities of the Group amounted to RMB5.8 billion, as compared to net interest rate sensitive assets of RMB4.9 billion as at 31 December 2020.

There can be no assurance that the PBOC will not raise lending rates, and any increase may cause the Group to be unable to obtain sufficient financing, or at all. As a result, the business, financial condition, results of operations and prospects of the Group would be materially and adversely affected.

The Group may not be able to service its debts

The Group's financing agreements with debt lenders contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- cross-default provisions in the Group's loans and debt securities;
- transfer of material operating assets (e.g. 20 per cent. of the total assets) without obtaining lender's prior approval;
- material changes to the Group's shareholding structure, including but not limited to merger or consolidation with another company or division, restructuring, change of controlling shareholder;
- seeking additional financing from third parties for the underlying assets without lender's prior approval; and
- failure of the Group's financial indicators to meet certain standards set out under the financing agreements.

As at the date of this Offering Circular, none of the Group's lenders has claimed default against the Group under the above provisions. The Group has not breached any of the provisions that could result in any event of default in any of the three years ended 31 December 2019, 2020 and 2021. If it fails to comply with any of these provisions, or is unable to generate sufficient cash flows from its business operations, from the disposal of the assets underlying its leases, or from other business activities, or if it is unable to obtain further financing on favourable terms or at all to meet or repay its debts when due, the lenders may be entitled to accelerate the maturity of loans or foreclose on collateral supporting such loans, which would consequently adversely affect the Group's business, financial condition and its ability to obtain future financing.

The Group's provisions for impairment losses on lease receivables may not be adequate to cover future credit losses, and it may need to increase its provisions for impaired receivables to cover such future credit losses

The Group makes provisions for impairment losses on lease receivables in accordance with HKFRS. The Group's impairment provisions for lease receivables amounted to RMB5,257.7 million, RMB6,081.5 million and RMB5,920.0 million, respectively, representing 2.81 per cent., 2.92 per cent. and 2.66 per cent. of the Group's net lease receivables as at 31 December 2019, 2020 and 2021, respectively. This reflected both the growth of its business operations and its approach to provisions in view of the adverse macroeconomic environment. The amount of such provisions for impairment losses is determined on the basis of its internal provisioning procedures and guidelines, with consideration of factors such as the nature and industry-specific characteristics of its customers and their creditworthiness, economic conditions and trends, write-off experience, delinquencies and the value of underlying collateral and guarantees. As the Group's provisions under HKFRS require significant judgment and estimation, its allowance for impairment losses may not always be adequate to cover credit losses in the business operations. Its allowance may prove to be inadequate if adverse changes occur in the PRC economy or other economies in which the Group operates or if other events adversely affect specific customers, industries or markets. Under such circumstances, it may need to make additional provisions for its receivables, which could significantly reduce its profit and may materially and adversely affect its business, financial condition, results of operations and prospects.

The value of collateral or guarantees securing the Group's leases and the assets underlying its leases to be disposed upon repossession may be inadequate

As at 31 December 2021, certain of the Group's leases were secured by collateral or guarantees. To mitigate the risks, the Group usually requests that lessees provide guarantees for the leases. However, such guarantees need to be agreed and whether they are provided may depend upon the nature of the business of the particular lessees. For example, the lessees that are public institutions such as hospitals and universities usually do not provide guarantees due to low risk and their state-ownership. In the event of any material default on interest payment terms, the Group is contractually entitled to enforce its security rights over any collateral or guarantee, and/or repossess and dispose of the assets underlying its leases to realise their residual value. The value of its collateral and/or assets underlying its leases to be disposed of may decline and may be materially and adversely affected by a number of factors, such as damage, loss, oversupply, devaluation or reduced market demand. Similarly, a significant deterioration in the financial condition of guarantors under its leases could significantly decrease the amounts it may recover under such guarantees.

The Group's policies require periodic internal re-evaluations of collateral and assets underlying its leases to be disposed of for impairment testing purposes. If the value of such collateral or assets underlying its leases to be disposed of prove to be inadequate to cover the related lease receivables, the Group may need to obtain additional security from its customers or other sources, but there is no assurance that it could do so.

Decline in the value of such collateral, guarantees or assets underlying its leases to be disposed of or its inability to obtain additional security may result in impairments and require the Group to make additional impairment provisions against its lease receivables, which may, in turn, materially and adversely affect its business, financial condition and results of operations.

The Group may not be able to successfully enforce its rights to the underlying collateral or guarantees to its leases, or enforce its rights to repossess leased assets

As mentioned above, certain leases of the Group are secured either by guarantees or collateral. In the event of any material default on the payment terms thereof, the Group is entitled to enforce its security rights over any collateral or guarantee, and/or repossess and dispose of the assets underlying its leases to realise their residual value. The lessees under the leases secured by guarantees are independent third parties to the Group, its shareholders or directors or any of their respective associates. In the PRC, the procedures for liquidating or otherwise realising the collateral value of tangible assets and the procedures for enforcing the rights to a guarantee or to repossess and dispose of the assets underlying its leases are usually time-consuming. The whole process may take three to six months or even a longer period of time.

Furthermore, in practice it may be difficult to realise such collateral value, enforce the guarantee or repossess and dispose of the assets underlying the leases. Although the Group could apply to a PRC court in accordance with the PRC Civil Procedure Law (《民事訴訟法 》) for the attachment and disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying its leases upon default, it is uncertain whether any judgment made by local courts would be enforceable due to uncertainties of the PRC legal system in respect of such enforcement. In addition, under PRC law, the Group's rights to any collateral securing its leases may be subordinated to other claims. For example, according to the PRC Enterprise Bankruptcy Law (《企業破產法》), claims for the amount that a company in bankruptcy owed its employees prior to 27 August 2006 (being the date of publication of the PRC Enterprise Bankruptcy Law), including but not limited to salaries, medical insurance and pension benefits, will have priority over the Group's rights to collateral. If the Group is unable to bring an enforcement action on any collateral, or guarantee and/or repossess and dispose of the assets underlying its leases on a timely basis, it may have a material adverse effect on its asset quality, financial condition or results of operations.

The provision of advisory services has made significant contributions to the Group's revenue. There is no assurance that the Group's revenue generated from advisory services will remain stable or continue to make a significant contribution to its total revenue

Revenue generated from the Group's advisory services (before business taxes and surcharges) amounted to RMB4,574.0 million, RMB3,836.5 million and RMB3,178.9 million for the years ended 31 December 2019, 2020 and 2021, respectively, representing approximately 17.0 per cent., 13.2 per cent. and 9.5 per cent. of its total revenue (before business taxes and surcharges), respectively. The fees that the Group charges for the provision of its advisory services are set with each customer on a case-by-case basis. Although the Group strives to maintain healthy growth of service income of the business, there can be no assurance that the demand from its customers for advisory services will remain stable. In addition, failure to provide satisfactory and customised advisory services in a timely manner to address the specific needs of the Group's customers may reduce revenue generated from its advisory services, which may materially and adversely affect its results of operation and overall financial position.

The Group relies on its key personnel and its ability to attract and retain qualified personnel

The Group depends on the continued efforts of its senior management team and other key employees for its success. The executive Directors (namely Mr. Kong Fanxing and Mr. Wang Mingzhe) and its senior management (namely Mr. Kong Fanxing, Mr. Wang Mingzhe, Mr. Cao Jian, Mr. Wang Ruisheng, Mr. Li Jiancheng, Mr. Zhan Jing, Mr. Xu Huibin and Mr. Ma Hong) have played vital roles in the Issuer's operations. Most of them have more than 24 years of experience in the financial service industry in China and possess a deep understanding of the Group's nine target industries, its competitors and the laws regulating its business. Therefore, they play an important role in formulating and implementing appropriate strategies to achieve business success for the Issuer. All senior management team members have signed open-ended employment contracts with the Group and it cannot be guaranteed that any of the key employees will not voluntarily terminate his or her employment with the Group or leave his or her position due to other reasons beyond its control. The loss of service of any of the key management, in particular the executive Directors, could impair the Group's ability to operate and make it difficult to implement its business and growth strategies. The Group may not be able to replace such persons within a reasonable period of time or with another individual of equivalent expertise and experience, which may severely disrupt its business operations.

The Group's continued success also depends on its ability to attract and retain qualified personnel to manage its existing operations and future growth. Qualified individuals are in high demand and the Group may not be able to successfully attract, assimilate or retain all the personnel it needs with the required industry expertise (such as personnel for its sales and marketing department, business operation centre and asset management department). The Group may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore there is no assurance that the Group's compensation and benefits payments will not increase unpredictably or at a greater rate than its revenues. The Group's failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on its ability to maintain its competitive position and grow its business, and may also have a material adverse effect on its financial condition, results of operations and prospects.

The Group's risk management systems and internal control policies may not be effective in mitigating the Group's risk exposure

The Group's risk management systems and internal control policies may not be effective in mitigating its exposure to all types of risks, including unidentified or unanticipated risks. Some risk management and control methods are based upon historical market behaviours and past events. As such, the Group may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in the PRC is relatively undeveloped and there is no extensive and unified nationwide credit information system. As such, the Group is only able to rely on publicly available resources and its internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information. Furthermore, as the Group enters new industry sectors, approaches other customer segments or develops additional product and service offerings, it may not be in a position to adequately identify and predict future risk exposures.

In addition, management of operational, legal or regulatory risks requires various sets of policies and procedures in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of the Group's risk management procedures or any failure to identify applicable risks may have a material adverse effect on its results of operations and financial condition.

Disruptions to the Group's information technology systems may adversely affect its operations and financial condition

The Group's business operations are dependent on the ability of its information technology systems to accurately process a large number of transactions and information in a timely manner. These systems include the System Application Products System, the Customer Marketing Management System, the Core Business Management System, and the Rent Integration Management System. The proper functioning of the Group's financial control, risk management, accounting, customer service and other data processing systems is critical to the Group's business and its ability to compete effectively. The Group has established its own internal back-up systems to carry on principal functions upon system failures.

However, it cannot be guaranteed that the Group's operations will not be significantly disrupted if any of the Group's systems fail due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades, or security breaches. The "Network and Information Safety Measures" formulated by the Group's Information Technology centre may not be effective in preventing any harm or damage resulting from risks threatening its information technology systems. Any disruption to any of the Group's information technology systems could harm its business and adversely affect its operations and financial condition.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees or third parties

Fraud or other misconduct by employees (such as unauthorised business transactions and breaches of its internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent, and could subject the Group to financial loss, sanctions imposed by governmental authorities and serious harm to its reputation. The Group's risk management systems, information technology systems and internal control procedures are designed to monitor its operations and overall compliance. However, it may be unable to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions the Group takes to prevent and detect such activities may not be effective. Hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or that such fraud or misconduct may occur in the future. This may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to fully prevent or timely detect any money laundering and other illegal or improper activities

The Group has strictly complied with applicable anti-money laundering laws and other relevant regulations. The Group is not aware of any money laundering or other major illegal or improper activities engaged by or involving any employee of its domestic or overseas operations.

However, the Group cannot assure potential investors that it can completely eradicate money laundering activities or other improper activities carried out by organisations or individuals through it. If the Group fails to timely detect and prevent money laundering activities or other illegal or improper activities, relevant regulatory agencies will have the power and authority to impose sanctions on it, which may adversely affect its reputation, financial condition and results of operations.

The Group may not have adequate insurance coverage to cover potential liabilities or losses

The Group has obtained insurance coverage for its business operations in accordance with legal requirements, and in respect of all assets which it deems material for its operations. The Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition, the Group does not maintain business interruption insurance, which is in line with the general practice in the PRC. As a result, its insurance coverage may be inadequate to cover such losses should they arise. Any such uninsured losses may materially and adversely affect its results of operations and financial position.

Failure to obtain, renew or retain licences, permits or approvals or failure to comply with applicable laws and regulations may affect the Group's ability to conduct its business

The Group is required to hold various licences, permits and approvals issued by relevant authorities allowing it to conduct its business operations. Any infringement of legal or regulatory requirements, or any suspension or revocation of these licences, permits and approvals, may have a material adverse impact on the business operations of the Group. In addition, the licensing requirements within the PRC financial leasing industry are constantly evolving and the Group may be subject to more stringent regulatory requirements due to changes in political or economic policies in the PRC. It cannot be certain that the Group will be able to satisfy such regulatory requirements and as a result it may be unable to retain, obtain or renew relevant licences, permits or approvals in the future. This may in turn hinder the Group's business operations and materially and adversely affect its results of operations and financial condition.

Pursuant to existing foreign exchange regulations in the PRC, foreign exchange transactions for capital account purposes, including direct overseas investment and various international loans, may require the registration with the State Administration of Foreign Exchange of the PRC ("**SAFE**") (國家外匯管理局) or a bank to which SAFE has delegated its authority. If the Group fails to complete such registration to convert Renminbi into foreign currencies for such purposes, its capital expenditure plans, business operations and consequently its results of operations and financial condition could be materially and adversely affected.

If the Group encounters difficulties in executing and integrating its growth strategy and expansion plans, its growth prospects may be limited and it may be unable to recoup the costs incurred

As part of its business strategy, the Group plans to expand its business to include other target industries in the PRC with attractive growth potential. The Group intends to achieve this through expansion, alliances, joint ventures or partnerships, when suitable opportunities arise and under appropriate market conditions. In April 2012, the Group consolidated the electronic information business and incorporated the electronic business in the machinery industry into other industries. The Group incubated its new business in the electronic information industry and established a new business segment in this regard, namely the electronic information segment, in December 2012. This new business segment targets the information industry in the PRC and provides finance leases and other related value-added services to customers in this target market. In March 2015, the Group established a new business sector, namely the urban public utility business unit, which would focus on providing a wide range of financial products and professional consulting services to China's urban utilities industry. Through this new sector, the Group aims to seize the opportunities arising from the development of China's urban utilities by providing a wide range of financial products and professional consulting services to three main urban public utility industries, namely urban infrastructure construction, urban operation and municipal services. In 2019, the Group reconfigured its industrial layout from seven major business sectors to nine business sectors, namely healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility.

There can be no assurance that the Group will be able to identify any suitable target industries, investment projects or business partners in the near future. In addition, failure to effectively manage the Group's expansion may lead to increased costs, reduced growth and reduced profitability for the Group. Even upon completion of investments or partnerships, the Group may experience difficulties in integrating such businesses into its business model, and may incur higher costs than initially anticipated. This may materially and adversely affect the Group's business, results of operation and financial position.

The Group's business may be impacted by political events, international trade disputes and other business interruptions

Political events, international trade disputes, war, terrorism, and other business interruptions could harm or disrupt international commerce and the global economy, and could have an adverse effect on the Group and its customers, suppliers and other partners as well as associates and/or affiliates. In particular, the U.S.-China trade conflict has brought uncertainty to global markets and to a certain extent, impacted businesses and financial market sentiment, resulted in financial market volatility, and slowed investment and trade. The U.S.-China trade conflict manifests a deterioration in the relationship between China and the United States which has led to greater uncertainties in the geopolitical situations in other parts of the world affecting China and Chinese companies. For example, export controls, economic and trade sanctions, entity list have been threatened and/or imposed by the U.S. government on a number of Chinese companies. The United States has also threatened to impose further export controls, sanctions, trade embargoes, and other heightened regulatory requirements on China and Chinese companies for alleged activities both inside and outside of China. The trade tensions between the United States and China could place pressure on the economic growth in China as well as the rest of the world. This may adversely affect the Group's business, financial condition, access to international capital markets and results of operations.

Against the backdrop of the trade conflict between the U.S. and China, the U.S. Department of Defense released in 2020 and January 2021 lists of Chinese companies (including Sinochem Group Co., Ltd. ("**Sinochem Group**"), a substantial shareholder of the Issuer) claiming that the companies are Communist Chinese military companies ("**CCMC**") for purposes of Section 1237 of the National Defense Authorization Act for Fiscal Year 1999. These lists are based on the U.S. government's intelligence, which apparently enabled the U.S. Department of Defense to determine that the companies therein are owned or controlled by the Chinese military. In November 2020, the U.S. President at the time signed an executive order, which prohibits any purchase for value or sale by any U.S. person of publicly traded securities (or securities that are derivative thereof or designed to provide investment exposure to such securities) of any company identified as a Communist Chinese military company. Any U.S. persons who hold such securities may be required to divest their holdings in such securities and may have to do so at a loss. On 3 June 2021, the U.S. issued an executive order that amended these restrictions and replaced the list of CCMCs with an initial list of 59 so-called "Chinese Military-Industrial Complex Companies" ("**CMICs**"). As at the date of this Offering Circular, neither the Issuer nor Sinochem Group is listed as a CMIC. However, there remains uncertainty as to whether the U.S. government will take further actions in relation to China-based companies and the impact of such actions.

Failure to obtain approvals required for the Proposed Spin-off and Listing may adversely affect the Group's ability to finance its operations, meet its obligations or implement its growth strategy

On 16 December 2020, the Issuer announced the proposed spin-off and separate listing of the equipment operation business of the Group on a recognized stock exchange (the "**Proposed Spin-off and Listing**"). In the event that the Issuer proceeds with the Proposed Spin-off and Listing, it will constitute a spin-off subject to compliance with the Practice Note 15 of the Listing Rules (the "**PN15**"). The Issuer will comply with the applicable Listing Rules requirements in respect of the Proposed Spin-off and Listing, including, to the extent practicable under applicable laws, providing the qualifying shareholders of the Issuer with an assured entitlement to the shares of the spun-off entity pursuant to the requirements of PN15. On 30 June 2021, the Issuer announced on the HKSE that the Issuer may proceed with the Proposed Spin-off.

On the same day, Horizon Construction Development Limited, a subsidiary of the Issuer and a leading equipment operation service provider in China, submitted a listing application form to the HKSE (the "**Listing Application**") and the Issuer made announcement on the HKSE of the Listing Application on 30 June 2021. On 25 February 2022, Horizon Construction Development Limited re-submitted a listing application form to the HKSE because of lapse of the six-month period from the date of the Listing Application.

However, the Proposed Spin-off and Listing is subject to approvals from the relevant regulatory authorities and market conditions. There is no assurance that the Proposed Spin-off and Listing will proceed or as to when it may take place. The failure to obtain the above approvals may adversely affect the Group's ability to finance its operations, meet its obligations or implement its growth strategy.

RISKS RELATING TO THE INDUSTRY

The Group operates in an increasingly competitive market

The financial services industry is an increasingly competitive industry and there is no assurance that the Group will be able to sustain its competitive advantage or effectively implement its business strategies. The Group's competitors are mainly comprised of bank-affiliated leasing companies, captive leasing companies, independent leasing companies and other financial service companies, which are all similarly involved in the financial leasing and/or financial services business. Competition from such entities may have an impact in the Group's industry, business and operating environment, such as downward competitive pressure on interest rates charged to customers, expansion by existing competitors, adoption by its competitors of innovative financial services or comparatively effective branding efforts, any of which may have a material adverse effect on the Group's business, financial condition and results of operations.

Upon China's accession to the World Trade Organisation in 2001, the PRC leasing industry entered a phase of rapid development and the number of both foreign and domestic investors in the industry has increased. In order to fulfil its commitment to liberalise the PRC financial leasing market, China's Ministry of Commerce ("**MOFCOM**") (中華人民共和國商務部) and the State Council of the PRC ("**State Council**") (國務院) have implemented several policies to further develop the leasing industry and encourage additional investment since 2005 including the *Guiding Opinions on Encouraging the Development of Financial Leasing Industry in the 12th Five-year Period* (《商務部關於"十二五"期間促進融資租賃業發展的指導意見》) issued by MOFCOM in December 2011, the *Opinions on Further Supporting the Healthy Development of Small and Micro Businesses* (《關於進一步支持小型微型企業健康發展的意見》) promulgated by the State Council in April 2012, the *Instructive Opinions on Improving the Technological Upgrading of Enterprises* (《關於促進企業技術改造的指導意見》) promulgated by the State Council in September 2012, the *Guiding Opinions of the State Council on Accelerating the Development of Production-oriented Service Industries and Promoting Industrial Restructuring and Upgrading* (《國務院關於加快發展生產性服務業促進產業結構調整升級的指導意見》) promulgated by the State Council in July 2014 and the *Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Financial Leasing Industry* (《國務院辦公廳關於加快融資租賃業發展的指導意見》) promulgated by the General Office of the State Council in August 2015. In 2019, amendments to the Administration Measure on Supervision of Financial Leasing Companies (《融資租賃企業監督管理辦法》) were officially included in the China Banking and Insurance Regulatory Commission (the "**CBIRC**") work plan. On 26 May 2020, the CBIRC published the Interim Measures for the Supervision and Management of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》), which specified regulatory particulars for operations of financial leasing companies. Based on this, in various regions including Shanghai, Shenzhen, Tianjin, Hunan and Jiangsu, local financial regulatory authorities increased efforts to straighten out and rectify leasing companies with irregular activities such as those existing only on paper and being out of reach. These tighter regulation of the financial leasing industry on one hand facilitates the healthy and orderly development of the financial leasing industry by decreasing the number and improving the quality of the companies and on the other hand, was favourable to large, compliant and professional financial leasing companies in the long run. It is expected that the relevant PRC governments may issue new implementing rules to promote the development of financial leasing companies under their respective regimes. The Group believes that these rules and measures are likely to further increase competition in the PRC financial leasing industry. If the Group is unable to successfully compete against current and future participants in the industry, its business, results of operations, financial condition and prospects may be materially and adversely affected.

Interest rate changes may adversely affect interest expense related to the Group's borrowings, reduce net interest income and reduce demand for its leasing services

The Group's business is affected by interest rates, both the interest rates charged to its financial leasing customers and the rates at which it pays interest on its loans and other financing obligations. In order to remain responsive to changing interest rates and to manage its interest rate exposure, the Group has implemented measures to adjust the structure of its assets and liabilities by assessing the sensitivity of projected net interest income under various interest rate scenarios. However, an increase in interest rates, or the perception that such an increase may occur, could adversely affect the Group's ability to obtain bank loans at favourable interest rates, its ability to maximise its interest income, its ability to originate new leases and its ability to grow. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (i.e. basis risk) could affect the interest rates received from interest-earning assets differently from the interest rates paid on interest-bearing liabilities, which could, in turn, result in an increase in interest expense or a decrease in the Group's net interest income (which is its interest income minus its interest expense). In addition, the Group's net interest income is also impacted by whether it can adjust the interest rates it charges its customers in response to fluctuations in interest rates for its interest-bearing bank borrowings so as to maintain its net interest spread and its net interest margin. If the Group fails to appropriately adjust interest rates on its lease contracts in a timely manner, its net interest spread and its net interest margins may decrease and, as a result, its profitability and results of operations would be adversely impacted. Any increase to its interest expense or decrease to its net interest income could have a material adverse effect on its business, results of operations and financial condition.

Fluctuation of equipment prices may adversely affect the Group's operation and business

The Group currently operates its business by targeting nine focused industries which it believes to have sustainable growth potential, namely healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility. There is no assurance that the demand for financial leasing services in these target industries will remain sustainable. Rapid increase of equipment price may reduce overall demand and accordingly reduce the Group's origination of new contracts. Moreover, reduction of equipment price may also affect the Group's ability to recover the related lease receivables due to the increasing likelihood of default by its customers. To be specific, the price at which the Group is able to sell any asset underlying its leases may be lower than the price at which it acquired such assets and this may have a material adverse effect on the Group's business, results of operations and financial condition.

Certain industries in which the Group is involved are highly cyclical

Certain industries, such as culture & tourism and transportation & logistics in which the Group is involved are highly cyclical with demand for and supply of services such as vessels to be leased or sold affected by several factors, including global and regional economic and political conditions, changes in regulatory regimes, strikes or armed conflicts, extreme weather conditions and piracy. These factors are beyond the Group's control and the nature, timing and degree of changes in industry conditions are largely unpredictable. Any decrease in demand for the Group's services in the above industries due to cyclical downturns could result in extensive customer defaults, decreased revenue and an inability to grow or maintain its business, and could materially and adversely affect its business, results of operations and financial condition.

An outbreak of epidemics, such as the 2019 novel coronavirus ("COVID-19"), Severe Acute Respiratory Syndrome ("SARS"), bird flu, Type A H1N1 influenza, H7N9 influenza, Ebola virus, MERS, natural disasters, acts of war or terrorism or other factors beyond its control may adversely affect the Group's business, results of operations and financial condition

Areas in which the Group operate may be prone to infectious diseases such as the recent COVID-19 outbreak or other epidemics. The outbreak of COVID-19 has caused wide range business slowdowns and disrupted the economic activities in the affected areas and countries, including the PRC and other countries including but not limited to South Korea, Italy, Iran, United States and various European countries. Outbreaks of infectious diseases in the past, such as SARS have damaged the regional and national economies in the PRC.

The outbreak of COVID-19, a recurrence of SARS, or an outbreak of other infectious diseases such as avian influenza H5N1 bird flu, Type A H1N1 influenza, H7N9 influenza, Ebola virus or Middle East respiratory syndrome ("**MERS**"), especially in the areas in which the Group or its customers operate, may result in material disruptions to the Group and its customers' businesses. In particular, since December 2019, the outbreak of COVID-19 has spread rapidly and is still spreading across the world, significantly affecting the national and global economy and has affected corporate operations and the general industry environment in certain regions, or certain industries. Further, in the first half of 2021, a new Delta variant of COVID-19 began to spread globally and caused an increase in COVID-19 cases in many places in the PRC, and in November 2021, a new Omicron variant, which appears to be the most transmissible variant to date, was detected, which Omicron variant has since caused an increase in COVID-19 cases in multiple countries. As such, the quality or the yields of the interesting earning assets of the Group may be affected, and the degree of the impact depends on the situation and duration of the spread of COVID-19, and implementation of preventive and control measures.

The Group intends to closely and continuously monitor the development of the COVID-19 pandemic. The normal operation of some of the Group's businesses suffered an inevitable short-term impact. All businesses activities have gradually resumed normal operation since March 2020, although recent recurring COVID-19 outbreaks caused by the new COVID variants have led to the re-introduction of such restrictions in several regions of the PRC from time to time and the Group needed to make adjustment to its business operation accordingly. In the first half of 2020, due to the negative effects of COVID-19 and the economic shut down for a period of time in the first quarter of 2020, advisory service business activities in the industry-related sectors such as healthcare, culture & tourism, chemical & medicine, engineering construction and transportation & logistics were restricted, resulting in a decline in advisory service revenue. For the year ended 31 December 2020 and 2021, profit attributable to shareholders of ordinary shares increased by 5.49 per cent. and 20.47 per cent. as compared to the corresponding period of the previous year. While the Group managed to maintain the increase of its profit in 2020 and 2021, it is uncertain as to the larger potential impact on the Group's business operations, profitability, financial condition and prospects arising from the outbreak of COVID-19 pandemic in the years ahead as it continues to evolve.

Hence, there will be uncertainties in operations of the Group, which might affect profitability of the Group to a certain extent. In addition, if any of the Group's employees is suspected of having contracted a contagious disease, the Group may be required to apply quarantines or suspend its operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of the Group offices or facilities, or even disrupt the Group's business operations and adversely affect the Group's results of operations.

In addition, natural disasters such as earthquakes, floods, severe weather conditions or other catastrophic events may severely affect the regions in which the Group or its customers operate. These natural disasters could cause a material economic downturn in the affected area, nationally or internationally and could have a material adverse effect on the Group's business prospects, financial condition and results of operations.

Similarly, war, terrorist activity, threats of war or terrorist activity, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, would affect economic development and construction projects. In turn, there could be a material adverse effect on the Group's business, financial condition and results of operations. For example, the Russia-Ukraine tensions have recently accelerated, resulting in the Russian invasion of Ukraine in February 2022. There is no assurance that any escalation of such or other geopolitical tension in the future will not create instability in macroeconomic and social conditions, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the Group may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, the Group's operational continuity may be adversely and materially affected and the Group's reputation seriously harmed.

RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on the Group's business, results of operations and financial condition

The Chinese economy differs from the economies in developed countries in many respects, including the degree of government involvement and the control of capital investment, as well as the overall level of development. The Group believes the PRC government has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The PRC government's reform policies have emphasised the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been made in economic development, and enterprises have enjoyed an improved environment for their development. However, any changes in the political, economic or social conditions in the PRC may have a material adverse effect on the Group's present and future business operations.

Any slowdown in the Chinese economy may affect the target industries in which the Group operates and result in a material adverse effect on the Group's business, results of operations, financial condition and prospects

Most of the Group's revenue is derived from the provision of financial leasing services and extended value-added services. The Group relies primarily on domestic demand to achieve growth in its revenue. Such demand is materially influenced by industrial development and the overall economic growth in China as well as policy support for its target industries and for its financial services. Any deterioration of these industries in China resulting from a global economic downturn or the Chinese government's macroeconomic measures affecting these industries may have a material adverse impact on its financial performance and prospects. Furthermore, any deterioration in the financial condition of the Group's customers in these industries or any industry-specific difficulties encountered by these customers could affect its business (such as the deterioration of the quality of its existing lease receivables and its ability to generate new leases), thereby materially and adversely affecting its business, financial condition or results of operations.

Furthermore, the global crisis in financial services and credit markets since 2008 caused a slowdown in the growth of the global economy with a corresponding impact on the Chinese economy. Although there are signs of recovery in the global and Chinese economies, it cannot be certain that any such recovery is sustainable. In addition, if the crisis in global financial services and credit markets were to persist, there is no certainty as to its impact on the global economy, especially the Chinese economy. More recently, there has been volatility in global financial markets as a result of uncertainty caused by ongoing U.S.-Sino trade tensions. In July 2018, the U.S. government-imposed tariffs on U.S.$34 billion worth of Chinese goods, which led the PRC to respond with similar sized tariffs on U.S. products. By January 2020, the U.S. had set tariffs on more than U.S.$360 billion worth of Chinese products and the PRC had set tariffs on more than U.S.$110 billion worth of U.S. goods. On 15 January 2020, the two sides showed signs of making a truce by signing a "Phase 1" trade deal that cut some U.S. tariffs on Chinese goods. However, the outbreak of COVID-19 has reignited tensions between the U.S. and China, which adds uncertainties to the overall global economy. The effect of such tariffs on the economy of the PRC and the U.S. is yet to be seen, and the trade dispute between the PRC and the U.S. and the increasing amount of the tariff that the U.S. plans to impose on Chinese imports may have an adverse effect on the global and the PRC economies resulting in continuing uncertainty for the overall prospects for the global and the PRC economies this year and beyond and may also result in structural shifts in the PRC economy. On 31 January 2020, the United Kingdom officially commenced the transition period of its withdrawal from the European Union which ended on 31 December 2020 ("**Brexit**"). Brexit has also given rise to calls for the governments of other European Union member states to consider withdrawal. The potential impact of Brexit on the economic conditions in the United Kingdom, the European Union and global financial services is uncertain and credit markets and there is no certainty as to its impact on the global economy, especially the Chinese economy.

As a result of global economic conditions, it cannot be certain that the Chinese economy will grow in a sustained or steady manner. Any slowdown or recession in the Chinese economy may affect the Group's ability to secure new leases and contracts and its ability to obtain sufficient financing, which may in turn have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group may be subject to PRC income taxes on its worldwide income

Under the PRC EIT Law, the term "de facto management bodies" is defined as "bodies that substantially carry out comprehensive management and control of the business operations, employees, accounts and assets of enterprises". Under the PRC EIT Law, an enterprise outside of China whose "de facto management bodies" are located in China is considered a "resident enterprise" and will be subject to a uniform 25 per cent. enterprise income tax rate on its global income. In April 2009, the State Administration of Tax ("**SAOT**") (國家稅務總局) issued the *Notice on Issues Relevant to Foreign-registered Chinese-invested Holding Enterprises Determined as Resident Enterprises in Accordance with Actual Management Organization Standard* (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), which has been amended on 29 December 2017, to further specify criteria for the determination of the “de facto management bodies” for foreign enterprises which are controlled by PRC enterprises. If all of these criteria are met, the relevant foreign enterprise controlled by a PRC enterprise will be deemed to have its “de facto management bodies” located in China and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in China, (ii) decisions relating to the enterprise’s financial and human resource matters are made by, or are subject to approval by, organisations or personnel in China, (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China and (iv) 50 per cent. or more of voting board members or senior executives of the enterprise habitually reside in China. In addition, SAOT issued the *Measures for the Administration of Income Tax for Chinese-controlled Resident Enterprises Registered Overseas* (the “**Measures**”) (境外註冊中資控股居民企業所得稅管理辦法(試行)) to provide more guidance on the implementation of the aforesaid circular which came into effect on 1 September 2011 and was revised on 17 April 2015, 28 June 2016 and 15 June 2018. The Measures specify that SAOT is entitled to decide whether a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a “resident enterprise” through the application of such foreign enterprises or the investigation conducted by the competent tax authorities.

In January 2014, SAOT issued the Circular on the Determination of PRC Tax Resident Enterprises Subject to Criteria of “De Facto Management Body” (關於依據實際管理機構標準實施居民企業認定有關問題的公告), which requires a Chinese-controlled offshore-incorporated enterprise that falls within the criteria of “de facto management body” to make an application for the classification as a “resident enterprise”, which in turn will be confirmed by the province-level tax authority. However, it is still unclear how the PRC tax authorities will determine whether a non-PRC entity (that has not already been notified of its status for EIT purposes) will be classified as a “resident enterprise”.

The Issuer is currently not treated as a PRC resident enterprise by the relevant tax authorities and has not applied for such a treatment. Although the Issuer currently has no controlling shareholders, there is no assurance that it will not be considered a “resident enterprise” under the PRC EIT Law and not be subject to the enterprise income tax rate of 25 per cent. on its global income in the future.

Under the PRC EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10 per cent. is normally applicable to PRC-sourced income of non-resident enterprises, subject to adjustment by applicable treaty. The PRC EIT Law’s implementation regulations further set forth that interest income is viewed as PRC-sourced income if the enterprise that pays interest is domiciled in the PRC. In October 2017, SAOT issued, and further amended in July 2018 the Announcement on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告), which further specified the withholding of PRC-sourced income tax of non-resident enterprises. If the Issuer is deemed a PRC resident enterprise for tax purposes, interest paid to overseas Noteholders and Securityholders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at the rate of up to 10 per cent. in the case of a non-resident enterprise holder and 20 per cent. in the case of a non-resident individual holder. Similarly, any gain realised on the transfer of the Instruments by such investors is also subject to a 10 per cent. PRC income tax in the case of a non-resident enterprise holder and 20 per cent. in the case of a non-resident individual holder (or lower treaty rate, if any) if such gain is regarded as income derived from sources within the PRC.

The Group’s profits and results of operations may be materially and adversely affected by tax reforms in the PRC

On 23 March 2016, the Ministry of Finance of the PRC and the SAOT jointly released the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知), whereby business tax in certain industry sectors will be replaced by value-added tax with effect from 1 May 2016. On 19 April 2016 and 18 August 2016, the SAOT respectively released the Announcement on Matters relating to the Tax Collection and Administration in Comprehensive Promotion of the Pilot Programme of Replacing Business Tax with Value-added Tax (關於全面推開營業稅改徵增值稅試點有關稅收徵收管理事項的公告) which was further amended on 18 December 2017, 29 January 2018, 15 June 2018, 19 January 2019, 3 February 2019 and

16 September 2019 and the Announcement on Several Collection and Administration Issues in Pilot Programme of Replacing Business Tax with Value-added Tax (關於營改增試點若干徵管問題的公告), as amended on 15 June 2018 and 19 January 2019, which specifically provided the relevant tax collection and administration matters regarding the implementation of the replacement of business tax with value-added tax. On 19 November 2017, the State Council amended the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例), based on which, value-added tax at a rate of 6 per cent. and 17 per cent. shall be imposed on the Group's indirect financing business and direct financing business, respectively. On 4 April 2018, the Ministry of Finance and the SAOT promulgated the Notice of Adjustment on Value-added Tax Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) to adjust the value-added tax from a rate of 17 per cent. where applicable to 16 per cent., which came into effect on 1 May 2018. On 20 March 2019, Ministry of Finance, the SAOT and General Administration of Customs issued the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告), which came into effective on 1 April 2019, to adjust the value-added tax from a rate of 16 per cent. where applicable to 13 per cent. There is no assurance that the PRC governmental authorities will not adopt any new taxation policies to the financing leasing industry in the PRC in the future. Any future actions and policies adopted by the PRC government may affect the Chinese economy and adversely impact financial leasing industry in the PRC, which could materially and adversely affect the Group's profits and results of operations.

Any limitation on the ability of the Issuer's PRC subsidiaries to pay dividends to the Issuer and repay its debts to creditors could limit the Issuer's ability to fulfill its payment obligations

The Issuer is a holding company incorporated in Hong Kong, and it relies on dividends and intercompany loan repayments paid by its PRC operating subsidiaries for its cash requirements, including the funds necessary to service the Instruments and any other debt it may incur, and to pay its operating expenses. PRC regulations currently permit payments of dividends only out of accumulated profits, as determined in accordance with the accounting standards and regulations in the PRC, which differ in many aspects from generally accepted accounting principles in other jurisdictions. The Issuer's PRC subsidiaries are required to allocate certain percentages of any accumulated profits after tax each year to their statutory common reserve fund as required under the PRC Company Law, until the aggregate accumulated statutory common reserve funds exceed 50 per cent. of its registered capital. These reserve funds cannot be distributed as cash dividends. In addition, if the Issuer's PRC subsidiaries incur debts on their own or enter into certain agreements in the future, the instruments governing the debts or such other agreements may restrict their ability to pay dividends or make other repayments or distributions to the Issuer. Therefore, these restrictions on the availability and usage of the Issuer's major source of funding may materially and adversely affect its ability to service the Instruments and its other debts.

The Issuer's PRC subsidiaries receive substantially all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of the PRC subsidiaries to use their Renminbi revenues to pay dividends to the Issuer.

On 8 August 2017, the State Council promulgated the Notice on Several Measures for Promoting the Growth of Foreign Investment (國務院關於促進外資增長若干措施的通知), which **provided that** foreign investors may freely remit abroad the profits, dividends and other investment returns lawfully obtained inside PRC in Renminbi or foreign currencies. Such provision has also been included in the Foreign Investment Law of the PRC (中華人民共和國外商投資法), promulgated by the Standing Committee of the National People's Congress of the PRC on 15 March 2019 and became effective on 1 January 2020. On 5 January 2018, the PBOC promulgated the Notice on Further Fine-tuning the Policies on Cross-border Renminbi Business to Promote Trade and Investment Facilitation (中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知), to further specify that regarding the profits, dividends and other investment returns obtained inside PRC by foreign investors, banks shall handle Renminbi cross-border settlement after reviewing relevant supporting materials to ensure that the profits of foreign investors be remitted abroad freely in accordance with the PRC laws.

However, uncertainty exists as to whether the PRC Government will restrict access to foreign currency for current account transactions in the PRC, in which case the ability of the PRC subsidiaries to pay dividends to the Issuer or to satisfy their other regulatory requirements may be adversely affected.

PRC regulation of loans to and direct investments in PRC companies by offshore holding companies may delay or prevent the Group from providing loans or capital contributions to its PRC subsidiaries, which could materially and adversely affect their liquidity and its ability to fund and expand its business

Under the PRC law, any capital contributions and loans made by the Issuer (as a foreign shareholder) to the Group's PRC-incorporated subsidiaries are subject to the relevant PRC regulatory regime. In terms of a foreign shareholder's loan, the loan made by the Issuer to its PRC subsidiaries must be registered with SAFE or any government bureau or agency to which SAFE has delegated its authority. Otherwise, the loan cannot be remitted into the PRC and (if required) converted into Renminbi. In respect of capital contributions made by the Issuer to its PRC subsidiaries, the Issuer must complete the registration formalities with the competent business registration authority (e.g. the State Administration for Market Regulation ("**SAMR**") or its relevant local branch), and the foreign exchange registrations with the relevant bank. Due to the discretionary and arbitrary nature of the aforementioned relevant agencies, there can be no assurance that the Group will be able to register the loans or complete the registration and filing in a timely fashion, or at all. If the Group fails to complete such registration or filings, its ability to finance the operations of its PRC subsidiaries and expansion projects may be adversely affected, which in turn could harm the Group's business, results of operations and financial condition.

The uncertainties of the PRC legal system and its laws and regulations may have a negative impact on the Group's operations

The Group's core business is conducted in the PRC and substantially all of its operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law systems, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. The PRC laws and regulations are still evolving and, because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business and prospects.

The Group intends to continue exploring growth opportunities within other target industries in China with growth potential and thus may be subject to further laws and regulations applicable to these new industries. On 18 September 2013, MOFCOM promulgated the *Measures for Supervision and Administration of Financial Leasing Enterprises* (融資租賃企業監督管理辦法), which provides for a uniform regulatory system for the operation, supervision and administration of both foreign-invested and domestic-invested financial leasing enterprises. In accordance with the *Notice Concerning the Clarification of the Operating Rules with respect to the Settlement of Renminbi in the Context of Foreign Direct Investment* (關於明確外商直接投資人民幣結算業務操作細則的通知), promulgated by the PBOC on 14 June 2012 and amended on 5 June 2015, apart from some certain special types of foreign invested enterprises, such as foreign invested holding companies and foreign invested financial leasing companies, the total amount of the Renminbi and foreign currency loans of an foreign invested enterprise shall not exceed the difference between the total investment and its registered capital approved by relevant governmental authorities. On 8 May 2018, the General Office of MOFCOM promulgated the *Notice of the General Office of the Ministry of Commerce on Matters concerning the Adjustments to the Duties of Administration of Financial Leasing Companies, Commercial Factoring Companies and Pawnshops* (國務院辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知). According to the Notice, MOFCOM has transferred the duties of the development of the rules on business operations and regulation of financial leasing companies, commercial factoring companies and pawnshops to the CBIRC, and, from 20 April 2018, the relevant duties has been performed by the CBIRC. On 26 May 2020, the CBIRC has published the Interim Measures for the Supervision and Management of Financial Leasing Companies (融資租賃公司監督管理暫行辦法), which specified regulatory particulars for operations of financial leasing companies.

There is no assurance that the Group will not be subject to any further regulatory measures imposing stricter requirements such as further restrictions on the proportion of risky assets or the introduction of minimum capital adequacy requirements. If the Group fails to meet any such additional regulatory requirements, the CBIRC or other relevant regulators may take corrective actions (including, for example, restricting the growth of the Group's lease receivables and its business activities), thereby materially and adversely affecting the Group's business, results of operations and financial condition.

The issuance of the NDRC Circular is recent development and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes

According to the *Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No. 2044)* (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)(發改外資[2015]2044號) issued by the National Development and Reform Commission (the "**NDRC**") which came into effect on 14 September 2015 (the "**NDRC Circular**"), domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium-to-long term loans issued or incurred outside the PRC with the NDRC prior to the issuance of securities or loans, and report the particulars of the relevant issuance within 10 working days upon completion of each issuance. Interpretation of the NDRC Circular may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Instruments. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretions by the NDRC. The NDRC Circular does not expressly state the legal consequences of non-compliance with the post-issue notification requirements under the NDRC Circular. However, the NDRC provided in its *Risk Reminder for the Issuance by Enterprises of Foreign Debt* (企業境外發行債券風險提示) on 12 June 2017 that it will consider to add non-compliance enterprises into a national adverse credit list and joint punishment list; therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any other adverse consequences for the Issuer, the Instruments or the investors in the Instruments. There is also no assurance that the registration certificate with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Instruments in the PRC.

Any failure to comply with PRC regulations regarding the Issuer's employee equity incentive plans may subject the PRC plan participants or the Group to fines and other legal or administrative sanctions

The Issuer is a company listed on the HKSE. Directors, executive officers and other employees of the Issuer who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who have been granted restricted shares (the "**RSUs**") or options will be subject to the *Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company* (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE in February 2012, according to which, employees, directors, supervisors and other senior management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company participating in such stock incentive plan, and complete certain other procedures. Failure to complete such SAFE registrations may subject them to legal sanctions and may also limit the participants' ability to receive dividends or sales proceeds from the Issuer's equity incentive plans. There are also regulatory uncertainties that could restrict the Issuer's ability to adopt additional equity incentive plans for its directors and employees under PRC law.

In addition, SAT has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise their share options or receive RSUs will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their share options or RSUs. Although the Issuer currently withholds income tax from its PRC employees in connection with their exercise of options and the granting of their RSUs, if the employees fail to pay, or the PRC subsidiaries fail to withhold the relevant taxes according to the applicable PRC laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

It may be difficult to effect service upon, or to enforce judgments against, the Group or the Directors or senior management residing in China in connection with judgments obtained from courts other than PRC courts

Although the Issuer is incorporated in Hong Kong, most of the Issuer's Directors and all of the members of the Issuer's senior management reside in China. Almost all of the Group's assets and most of the assets of its Directors and the members of its senior management are located within China. Therefore, it may not be possible for investors to effect service of process upon the Issuer or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing under the current Arrangement. However, the Arrangement will be abolished by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which was entered into by Hong Kong and the Supreme People's Court on 18 January 2019 and will come into force after the Supreme People's Court issues the judicial interpretation and the Hong Kong Special Administrative Region completes the relevant procedures. With some exceptions, the 2019 Arrangement applies to the reciprocal recognition and enforcement of effective judgments in civil and commercial cases between courts of the PRC and Hong Kong, and also applies to the reciprocal recognition and enforcement of effective judgments on civil compensation in criminal cases. The outcome and effectiveness of any action brought under the Arrangement or the 2019 Arrangement are uncertain, and it may be difficult or impossible for holders of the Instruments to effect service of process against the Issuer's assets or Directors in China in order to seek recognition and enforcement for foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom or most other European countries, or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The enforcement of the Labour Contract Law and other labour-related regulations in China may adversely affect the Group's business and its results of operations

In China, Labour Contract Law of the PRC (中華人民共和國勞動合同法), as amended in December 2012 with such amendments effect from 1 July 2013 (the "**Labour Contract Law**"), the *Interim Provisions on Labour Dispatching* (勞務派遣暫行規定) which came into effect on 1 March 2014 and the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008 provide for regulation on employment contract, temporary employment, paid vacation, employment termination and related compensation. These laws and regulation in general have improved employee benefit and protection, implemented more restrictions on the use of dispatched workers, temporary employees and increased cost to employers upon termination of employees. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. The Group cannot give assurance that any disputes, work stoppages or strikes will not arise in the future.

The PRC Anti-Monopoly Law may restrict the Group's business dealings or require it to divest its shares in certain assets in China

The PRC Anti-Monopoly Law (中華人民共和國反壟斷法), which attempts to prevent monopolistic activities and protect fair competition in the PRC, became effective on 1 August 2008. It prohibits business entities (including the Group and all of its subsidiaries) from engaging in monopolistic behaviour, entering into monopolistic agreements, abusing a dominant market position or pursuing consolidations which exclude, restrict or potentially inhibit competition. The PRC Anti-Monopoly Law does not prohibit any business entity from increasing its market share to achieve or maintain a dominant market position through fair competition, nor does it set limits on the market share that any one entity can achieve or maintain in the PRC. The PRC Anti-Monopoly Law also provides clear standards under which business operators are excluded from anti-monopoly examination.

Under the PRC Anti-Monopoly Law, an entity that enters into monopolistic agreements or abuses its dominant market position may be subject to penalties, including confiscation of illegal gains and fines ranging from 1 per cent. to 10 per cent. of its revenue for the preceding year. If an entity pursues an illegal consolidation, it may be forced to terminate the consolidation, divest its shares and assets or businesses within a limited period of time or otherwise unwind the consolidation. The operating flexibility of the Group's PRC subsidiaries and the Group's business expansion through a merger with or acquisition of other competitors may be subject to strict examination and approval by SAMR, which is the main authority in charge of reviewing anti-monopoly issues related to business combinations. As the PRC Anti-Monopoly Law has not been fully interpreted, its effect on the Group's business is not yet known and it cannot give assurances that the relevant authorities will not interpret the law in such a manner or announce specific rules such that the implementation of the PRC Anti-Monopoly Law will affect its business in general or will contradict the PRC government's existing policies. In the event of non-compliance with the PRC Anti-Monopoly Law, the Group may be subject to substantial fines and other penalties. In the event of these circumstances, its business model and revenues may be materially and adversely affected.

RISKS RELATING TO THE INSTRUMENTS ISSUED UNDER THE PROGRAMME

Instruments may not be suitable investments for all investors

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

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

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

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

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

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

Some Instruments may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments 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) Instruments are legal investments for it, (ii) Instruments can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Instrument. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Instruments under any applicable risk-based capital or similar rules.

The Issuer's obligations under the Instruments are structurally subordinated to all existing and future liabilities and obligations of each of the Issuer's subsidiaries, associates and jointly controlled entities

A substantial part of the Issuer's operations is conducted through its subsidiaries, associated companies and jointly controlled entities. Accordingly, the Issuer is and will be dependent on the operations of its subsidiaries, associated companies and jointly controlled entities to service its indebtedness, including interest and principal on the Instruments. The Issuer's obligations under the Instruments are structurally subordinated to all existing and future liabilities and obligations of each of the Issuer's subsidiaries, associates and jointly controlled entities. The Issuer's obligations will not be guaranteed by any of its subsidiaries. Claims of creditors of such companies will have priority as to the assets of such companies over the Issuer and its creditors, including holders of the Instruments seeking to enforce the Instruments. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer. Moreover, the Issuer's interests in its subsidiaries, associates and jointly controlled entities could be reduced in the future. None of the Instruments, the Notes Trust Deed or the Securities Trust Deed contains any restriction on the ability of the Issuer or its subsidiaries, associates or jointly controlled entities to incur additional indebtedness.

The Instruments are subject to (in the case of Securities) substitution, modification and waivers

The Conditions contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Noteholders and Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and Securityholders including Noteholders and Securityholders who did not attend and vote at the relevant meeting, and Noteholders and Securityholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, Securityholders, Receiptholders or Couponholders (as the case may be), agree to (i) any modification of the Instruments, Receipts, the Coupons, the Agency Agreement, the Notes Trust Deed or the Securities Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law or an error which is, in the opinion of the Trustee, proven, and (ii) any other modification (except such modification in respect of which an increased quorum is required as mentioned in the Conditions) of the Instruments, the Receipts, the Coupons, the Agency Agreement, the Notes Trust Deed and the Securities Trust Deed (as the case may be) which in the Trustee's opinion is not materially prejudicial to the interests of the Noteholders and Securityholders.

In addition, with respect to the Securities, if a Special Event (as defined under the Securities Conditions) has occurred and is continuing, then the Issuer may, at its option, subject to it having satisfied the Trustee immediately prior to the giving of any notice that the provisions of the Securities Condition have been complied with, and having given not prior notice to the Trustee, the Issuing and Paying Agent and the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities (as defined under the Securities Conditions), and the Trustee shall (subject to the following provisions of the Securities Conditions) agree to such substitution or variation and in such case, no holders' consent is required for such substitution or variation.

The Issuer may be unable to redeem Instruments

On certain dates, including a redemption event or the occurrence of (i) an early redemption event of the Instruments and (ii) at maturity of the Notes, the Issuer may, and at maturity of the Notes and upon the issuance of a notice in exercising its option to redeem Securities, the Issuer will be required to, redeem all of the Notes and/or the Securities (as the case may be). If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Instruments in time, or on acceptable terms, or at all. The ability to redeem the Instruments in such event may also be limited by the terms of other debt instruments. If the Issuer fails to repay, repurchase or redeem tendered Instruments, such an event would constitute an event of default under the Notes or, as the case may be, entitle the Trustee to institute winding-up proceedings against the Issuer under the Securities, which may also constitute a default under the terms of Issuer's other indebtedness.

A change in English law which governs the Instruments may adversely affect Noteholders and Securityholders

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

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

Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of registered Notes). Securities issued under the Programme will be in registered form and represented by one or more Global Certificates. Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, with DTC or lodged with CMU (each of Euroclear, Clearstream, DTC and 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 Instruments. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Instruments are represented by one or more Global Notes or Global Certificates (as the case may be), investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Instruments are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Instruments (as the case may be) by making payments to the common depositary for Euroclear and Clearstream, to DTC or, as the case may be, to the relevant paying agent, in the case of the CMU, for distribution to their account holders. 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 Instruments (as the case may be). The Issuer has no 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 Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

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

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

Definitive Notes and Definitive Certificates will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business. The Pricing Supplement may provide that, if Definitive Notes or Definitive Certificates are issued, such Instruments will be issued in respect of all holdings of Instruments equal to or greater than the minimum denomination. However, Noteholders and Securityholders should be aware that Definitive Notes or Definitive Certificates that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Definitive Notes and Definitive Certificates will in no circumstances be issued to any person holding Instruments in an amount lower than the minimum denomination and such Instruments will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Instruments.

The Trustee may request Noteholders and Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, the Trustee may (at its sole discretion) request Noteholders or Securityholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Noteholders or Securityholders. Negotiating and agreeing to an 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 or security or prefunding, in breach of the terms of the Notes Trust Deed or, as the case may be, the Securities Trust Deed; and, in circumstances where there is uncertainty or dispute as to the applicable laws or regulations, and to the extent permitted by the agreements and the applicable law, it will be for the Noteholders or Securityholders to take such actions directly.

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

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

The Instruments are redeemable in the event of certain withholding taxes being applicable

No assurances are made by the Issuer as to whether or not payments on the Instruments may be made without withholding taxes or deductions applying from the relevant Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of a Tax Jurisdiction. Investors are referred to the section headed "**Taxation**" for details of the prevailing withholding taxes application in the relevant jurisdictions and the risks associated with any identified ambiguity in the withholding tax rules. Although, pursuant to the Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Instruments at any time in the event it has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), as set out in the Conditions.

The Issuer may raise or redeem other capital which affects the price of the Instruments

The Issuer may raise additional capital through the issue of other securities or other means. Other than certain restrictions on issuing certain secured indebtedness as set out in negative pledge provisions in the condition there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior, or *pari passu* to, the instruments.

For instance, in respect of any series of Notes, the incurring of additional debt could diminish the Issuer's ability to make payments on the Notes and of amortising the Notes when due. In respect of an issue of the Securities, it may reduce the amount (if any) recoverable by Securityholders on a Winding-Up or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Instruments and/or the ability of Noteholders or Securityholders to sell their Instruments.

Legal investment considerations may restrict certain investments

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 Instruments are legal investments for it, (ii) the Instruments can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Instrument. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Instruments under any applicable risk-based capital or similar rules.

The insolvency laws of Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the Holders are familiar

As the Issuer is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Issuer would likely involve insolvency laws of Hong Kong, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Holders are familiar.

The rating of the Programme or the Instruments may be downgraded or withdrawn

The Programme is rated "BBB-" by S&P. The ratings assigned to the Programme are only applicable to the Notes; ratings in respect of the Securities issued may be separately obtained. These ratings are only correct as at the date of this Offering Circular. Instruments issued under the Programme may be rated or unrated. Where a Tranche of Instruments is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. Where an issue of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The Issuer is not obligated to inform Holders if the ratings are lowered or withdrawn nor to maintain ratings for so long as the Instruments are outstanding. Each rating should be evaluated independently of the other rating. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Instruments and the Issuer's ability to access the debt capital markets.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF INSTRUMENTS

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

Index-linked interest notes and dual currency notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates, or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

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

(b) they may receive no interest;

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

(d) they may lose all or a substantial portion of their principal;

(e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any index-linked notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any index-linked notes and the suitability of such Notes in light of its particular circumstances.

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 instalment 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 those features.

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

Interest rates and indices which are used to determine the amounts payable under financial instruments or the value of such financial instruments and are deemed to be "benchmarks" (including the euro interbank offered rate ("**EURIBOR**")) are the subject of ongoing national and international regulatory discussion 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) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

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

It is not possible to predict with certainty whether, and to what extent, EURIBOR or other benchmark rates will continue to be supported going forwards. This may cause EURIBOR and/or other benchmark rates to perform differently than they have done in the past, and may have other consequences which cannot be predicted. 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 Notes Conditions provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Notes Conditions) occurs in respect of a Reference Rate or other relevant reference rate and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Notes Conditions), with the application of an adjustment spread (which could be positive, negative or zero), and may include amendments to the Notes Conditions to ensure the proper operation of the new benchmark, all as determined by the Independent Adviser (if appointed) (acting in good faith and in a commercially reasonable manner) and as more fully described at Condition 5.6 (*Benchmark Discontinuation).* It is possible that the adoption of a Successor Rate or Alternative Rate, including any adjustment spread, may result in any Notes linked to or referencing a Reference Rate performing differently (which may include payment of a lower Rate) than they would if the Reference Rate were to continue to apply in its current form. There is also a risk that the relevant fallback provisions may not operate as expected or intended at the relevant time.

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of the Rate 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.

In the case of Floating Rate Notes which reference SOFR where Condition 5.6.7 is specified as applicable in the relevant Pricing Supplement where the Issuer determines that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred, a Benchmark Replacement (as determined in accordance with Condition 5.6.7) will replace the then-current Benchmark for all purposes relating to such Notes in respect of all determinations on such date and for all determinations on all subsequent dates. Such Benchmark Replacement may result in the Notes behaving differently (which may include payment of a lower Rate of Interest).

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

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

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for Floating Rate Notes

The use of risk-free rates – including those such as the Sterling Overnight Index Average ("**SONIA**"), the Secured Overnight Financing Rate ("**SOFR**") and €STR, as reference rates for Eurobonds continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Notes Conditions and used in relation to Notes that reference risk-free rates issued under this Programme. The Issuer may in the future also issue Notes referencing SONIA, the SONIA Compounded Index, SOFR, the SOFR Compounded Index or €STR that differ materially in terms of interest determination when compared with any previous Notes issued by it under this Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SONIA, SOFR, €STR or any related indices.

Risk-free rates differ from EURIBOR in a number of material respects and have a limited history

Risk-free rates may differ from EURIBOR or other interbank offered rates in a number of material respects, including (without limitation) by, in most cases, being backwards-looking, calculated on a compounded or weighted average basis and risk-free overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term and include a risk-element based on interbank lending. As such, investors should be aware that EURIBOR and other interbank offered rates and any risk-free rates may behave materially differently as Reference Rate for the Notes.

Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in the Notes which reference such risk-free rates to reliably estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to EURIBOR-linked Notes, if Notes referencing backwards-looking SONIA, SOFR or €STR become due and payable under Condition 10 (Event of Default) or are otherwise redeemed early on a date which is not an Interest Payment Date, the final interest rate payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

The use of risk-free rates as a reference rate for Eurobonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such risk-free rates.

Notes referencing risk-free rates may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing such risk-free rates, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Notes may be lower than those of subsequently issued indexed debt securities as a result. Further, if the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Investors should consider these matters when making their investment decision with respect to any Notes.

The administrator of SONIA, SOFR or €STR or any related indices may make changes that could change the value of SONIA, SOFR or €STR or any related index or discontinue SONIA, SOFR or €STR or any related index

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

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

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

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

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

Investors may lose part or all of their investment in any index-linked interest Notes issued

If, in the case of a particular tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Interest Notes or 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 SECURITIES

Securities may be issued for which investors have no right to require redemption

The Securities are perpetual and have no fixed final maturity date. Securityholders have no right to require the Issuer to redeem Securities at any time, and an investor who acquires Securities may only dispose of such Securities by sale. Securityholders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Securities should be aware that they may be required to bear the financial risks of an investment in Securities for an indefinite period of time.

The Subordinated Perpetual Securities are subordinated obligations

The obligations of the Issuer under the Subordinated Perpetual Securities will constitute unsecured and subordinated obligations of the Issuer. Subject to all applicable laws and regulations, in the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders in respect of the Subordinated Perpetual Securities shall: (i) rank ahead of those persons whose claims are in respect of any Junior Securities of the Issuer; (ii) rank *pari passu* with the claims of holders of Parity Securities of the Issuer; and (iii) (save as otherwise provided in the applicable Pricing Supplement) only junior to the claims of the general creditors of the Issuer.

In addition, there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Subordinated Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Subordinated Perpetual Securities on a Winding-Up of the Issuer and/or may increase the likelihood of a non-payment under the Securities. In the event of a shortfall of funds on a Winding-Up of the Issuer, there could be a real risk that an investor in the Subordinated Perpetual Securities of any series will lose all or some of its investment and will not receive a full return of the principal amount of the Subordinated Perpetual Securities of that series or any unpaid Distributions, Arrears of Distribution or Additional Distribution Amounts with respect to the relevant series of the Subordinated Perpetual Securities.

Securityholders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Securities Conditions

The Issuer may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. The Issuer is subject to certain restrictions in relation to the payment of dividends on its applicable Junior Securities and its applicable Parity Securities, the redemption and repurchase on the applicable Junior Securities and the applicable Parity Securities prior to their stated maturity until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Securities Conditions. The

Issuer is not subject to any limits as to the number of times Distributions and Arrears of Distribution can be deferred pursuant to the Securities Conditions, subject to compliance with certain restrictions. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Securities Conditions, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distribution shall not constitute a default for any purpose.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

If specified in the relevant Pricing Supplement, the Securities may be redeemed at the Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events

The Securities are redeemable at the option of the Issuer on the First Call Date and on any Distribution Payment Date falling after the First Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, if specified on the relevant Pricing Supplement, the Issuer also has the right to redeem the Securities upon the occurrence of (i) a Gross-up Event, (ii) an Accounting Event, (iii) a Breach of Covenant Event or (iv) a Relevant Indebtedness Default Event. The Securities may also be redeemed at the option of the Issuer if prior to the date of a notice to be provided by the Issuer at least 80 per cent. in principal amount of the Securities originally issued has already been redeemed or purchased and cancelled. The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the Securityholders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for default under the Securities

Any scheduled distribution will not be due if the Issuer elects not to pay all or a part of that distribution pursuant to the Securities Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment under the Securities has become due and the Issuer fails to make the payment when due. The only remedy against the Issuer available to any Securityholder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be proving in such winding-up and/or claiming in the liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Securities.

The Securities confer Securityholders with limited rights upon the occurrence of a Breach of Covenant Event or a Relevant Indebtedness Default Event

The Securities confer Securityholders with limited rights upon the occurrence of a Breach of Covenant Event or a Relevant Indebtedness Default Event. The Issuer may, at any time, on giving irrevocable notice to the Trustee, and the Securityholders, redeem in whole, but not in part, the Securities if any of such events occurs. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such events, the Distribution Rate will increase by a certain percentage per annum pursuant to Securities Condition 5.3. However, the occurrence of a Breach of Covenant Event or a Relevant Indebtedness Default Event may result in certain of the Issuer's other capital markets indebtedness becoming immediately due and payable upon certain steps being taken by the relevant holders and/or their representatives. There can be no assurance that, after discharge of the Issuer's obligations under such other capital markets indebtedness, the Issuer would have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Securities.

Changes in accounting standards may impact the Group's financial condition or the characterisation of the Securities

Any change or amendment to, or any change or amendment to the general application or interpretation of HKFRS or any other generally accepted accounting standards that may be adopted by the Issuer for the purposes of preparing its financial statements may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of the Issuer, and will give the Issuer the right to elect to redeem the Securities. Furthermore, there can be no assurance that the adoption of new accounting policies will not have a significant impact on the Group's financial condition and results of operations.

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:

Instruments 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

Instruments 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 Instruments which is already issued). In particular, one or more initial investors in the Instruments may purchase a significant portion of the aggregate principal amount of the Instruments pursuant to an offering. The existence of any such significant holder(s) of the Instruments may reduce the liquidity of Instruments in the secondary trading market. If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Instruments are trading at a discount, investors may not be able as receive a favourable price for their Instruments and in some circumstances investors may not be able to sell their Instruments at all or at their fair market value. 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 Instruments issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Instruments. This is particularly the case for Instruments that are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies, or have been structured to meet the investment requirements of limited categories of investors. These types of Instruments generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Instruments.

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

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

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

Changes in market interest rates may adversely affect the value of fixed rate Instruments

Investment in fixed rate Instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Instruments.

RISKS RELATING TO RENMINBI-DENOMINATED INSTRUMENTS

Instruments denominated in RMB ("**RMB Instruments**") may be issued under the Programme. RMB Instruments carry particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on the remittance of Renminbi into or out of the PRC

Renminbi is not freely convertible at present. The government of the PRC continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been significant reduction in control by it in recent years particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. However, the remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, 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 and out of the PRC for settlement of capital account items are developing gradually.

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

The availability of Renminbi outside the PRC may be limited, which may affect the liquidity of RMB Instruments and the Issuer's ability to source Renminbi outside the PRC to service such RMB Instruments

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 the PBOC has entered into agreements ("**Settlement Agreements**") on the clearing of Renminbi business with financial institutions ("**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong and has established the Cross-Border Inter-Bank Payments System ("**CIPS**") to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

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

Investment in RMB Instruments is subject to exchange rate risks

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

Payments for the RMB Instruments will only be made to investors in the manner specified in the RMB Instruments

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

Gains on the transfer of the RMB Instruments may become subject to income taxes under PRC tax laws

Under the PRC EIT Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of RMB Instruments by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is income derived from sources within the PRC. The PRC EIT Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of RMB Instruments but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual Holder from the transfer of RMB Instruments. However, uncertainty remains as to whether the gain realised from the transfer of RMB Instruments by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC EIT Law, the PRC Individual Income Tax Law and the relevant implementing rules. Pursuant to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Noteholders and Securityholders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to the PRC EIT or IIT on capital gains derived from a sale or exchange of the Instruments.

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

TERMS AND CONDITIONS OF THE NOTES

This Note is one of a Series (as defined below) of Notes issued by Far East Horizon Limited (the "**Issuer**") constituted by an amended and restated notes trust deed (such amended and restated notes trust deed as modified and/or supplemented and/or restated from time to time, the "**Notes Trust Deed**") dated 13 July 2022 made between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency;

(b) any global Note in bearer form (each a "**Global Note**");

(c) any global Note in registered form (each a "**Global Certificate**");

(d) any definitive Note in bearer form ("**Definitive Note**", together with the Global Note, the "**Bearer Notes**") issued in exchange for a Global Note; and

(e) any definitive Note in registered form ("**Definitive Certificate**", together with the Global Certificate, the "**Registered Notes**") issued in exchange for a Global Certificate.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated agency agreement (such amended and restated agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 13 July 2022 and made between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as the issuing and paying agent (the "**Issuing and Paying Agent**", which expression shall include any successor issuing and paying agent), The Hongkong and Shanghai Banking Corporation Limited as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression shall include any successor CMU lodging and paying agent), the other paying agents named therein (together with the Issuing and Paying Agent, the CMU Lodging and Paying Agent and the U.S. Paying Agent (as defined below), the "**Paying Agents**", which expression shall include any additional or successor paying agents), The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression shall include any successor registrar) and as transfer agent (together with the Registrar and the other transfer agents named therein, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents), and The HSBC Bank USA, National Association as the U.S. paying agent, U.S. registrar, U.S. transfer agent and U.S. exchange agent (the "**U.S. Paying Agent**", "**U.S. Registrar**", "**U.S. Transfer Agent**" and "**U.S. Exchange Agent**"). For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. "**Calculation Agent**" means the person named as such in the applicable Pricing Supplement, and includes its successor or other calculation agent appointed under the Agency Agreement.

Interest bearing Definitive Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Notes in global forms do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note which supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note or Global Certificate, be construed as provided in Condition 1 below), the holders of the Receipts (the "**Receiptholders**") and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Notes Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) 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.

Upon prior written request and proof of holding, copies of the Notes Trust Deed and the Agency Agreement are (i) available for inspection during normal business hours (being (9:00 a.m. to 3:00 p.m. local time on weekdays (excluding public holidays)) at the specified office for the time being of the Trustee and at the specified office of each of the Paying Agents, the Registrar, the U.S. Registrar, the other Paying Agents, Transfer Agents, the U.S. Transfer Agent and the U.S. Exchange Agent (such Paying Agents, Transfer Agents, U.S. Transfer Agent, U.S. Registrar, U.S. Exchange Agent and the Registrar, and together with the Calculation Agent (if it also being the Issuing and Paying Agent or the U.S. Paying Agent), being together referred to as "**Agents**") or (ii) available electronically from the Trustee via e-mail written request to hkcorporate.trust.queries@hsbc.com.hk. Copies of the applicable Pricing Supplement are available for viewing during normal business hours at the registered office of the Issuer and of any Agent (as applicable) and copies may be obtained from those offices save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Notes Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Notes Trust Deed and the Agency Agreement.

Words and expressions defined in the Notes Trust Deed, the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Notes Trust Deed and the Agency Agreement, the Notes Trust Deed will prevail and, in the event of inconsistency between the Notes Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to Registered Notes will pass upon registration of transfers in the register which is kept by the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note or Global Certificate, without prejudice to the provisions set out in the next succeeding paragraph.

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

For so long as DTC or its nominee is the registered owner or holder of a Global Certificate, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented such Global Certificate for all purposes under the Notes Trust Deed and the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note or a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, DTC or the CMU, as the case may be.

References to Euroclear, Clearstream, DTC and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Agents and the Trustee.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Global Certificates

Transfers of beneficial interests in Global Certificates will be effected by Euroclear, Clearstream, DTC or the CMU, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Certificate or for a beneficial interest in another Global Certificate only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, DTC or the CMU, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Definitive Certificates

Subject as provided in Condition 2.7 and Condition 2.8 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Certificate may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (a) the holder or holders must (i) surrender the Definitive Certificate for registration of the transfer of the Definitive Certificate (or the relevant part of the Definitive Certificate) during normal business hours at the specified office of the Registrar or the U.S. Registrar (as applicable) or any Transfer Agent or U.S. Transfer Agent (as applicable), with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the Registrar or the U.S. Registrar (as applicable) or, as the case may be, the relevant Transfer Agent or the U.S. Transfer Agent (as applicable) during normal business hours at their respective specified offices and (b) the Registrar or the U.S. Registrar (as applicable) or, as the case may be, the relevant Transfer Agent or the U.S. Transfer Agent (as applicable) must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar (or the U.S. Registrar, as the case may be) may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or the U.S. Registrar (as applicable) or, as the case may be, the relevant Transfer Agent or the U.S. Transfer Agent (as applicable) will, within three business days (being for the purpose of this Condition a day on which banks are open for business in the city where the specified office of the Registrar or the U.S. Registrar (as applicable) or, as the case may be, the relevant Transfer Agent or the U.S. Transfer Agent (as applicable) is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), procure the authentication and delivery of, to the transferee at its specified office or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Certificate of a like aggregate nominal amount to the Definitive Certificate (or the relevant part of the Definitive Certificate) transferred. In the case of the transfer of part only of the Definitive Certificate, a new Definitive Certificate in respect of the balance of the definitive Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration. To the extent that any such costs and expenses are incurred by the Trustee and/or the Agents, the Trustee and/or the Agents will be indemnified according to the Notes Trust Deed and the Agency Agreement.

2.5 Transfers of interests in Regulation S Global Certificate

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Certificate to a transferee in the United States or who is a U.S. person will only be made:

2.5.1 upon receipt by the Registrar or the U.S. Registrar (as applicable) of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or the U.S. Registrar (as applicable) or any Transfer Agent or the U.S. Transfer Agent (as applicable), from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor, together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or

2.5.2 otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any States of the United States,

and, in each case, in accordance with any applicable securities laws of any States of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interest in Regulation S Global Certificates registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certificate requirements will no longer apply to such transfers.

2.6 Transfer of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

2.6.1 to a transferee who takes delivery of such interest through a Regulation S Global Certificate, upon receipt by the Registrar or the U.S. Registrar (as applicable) of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Certificate registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interest in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

2.6.2 to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

2.6.3 otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar or the U.S. Registrar (as applicable) will arrange for any Notes which are subject of such a transfer to be represented by the appropriate Registered Global Certificate, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific require for removal of the Legend, the Registrar or the U.S. Registrar (as applicable) shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount (as set out in the Pricing Supplement) in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7.3, (iii) after any such Note has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6.4).

2.8 Exchanges and transfers of Definitive Certificates generally

Holders of Definitive Certificates may exchange such Certificates for interests in a Global Certificate of the same type at any time.

2.9 Definitions

In this Condition, the following expressions shall have the following meanings:

"**Business Day Convention**" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day (as defined below);

"**Distribution Compliance Period**" has the meaning given to it in Regulation S;

"**Institutional Accredited Investor**" means "**accredited investors**" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions;

"**Legended Notes**" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Certificate) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a "**Legend**");

"**QIB**" means a "**qualified institutional buyer**" within the meaning of Rule 144A; Regulation S means Regulation S under the Securities Act;

"**Regulation S Global Certificate**" means a Global Certificate representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES

The Notes and any relevant Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. COVENANTS

4.1 Negative Pledge

For so long as any Note remains outstanding, the Issuer will not, and will ensure that none of its Subsidiaries (other than Listed Subsidiaries) will create, or have outstanding, any mortgage, charge, lien, pledge or other 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 (as defined below), or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to such Note the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Notes Trust Deed) of the Noteholders.

For the purposes of these Conditions:

(a) "**Listed Subsidiary**" means any Subsidiary of the Issuer whose shares are at the relevant time listed on any stock exchange and each of its Subsidiaries;

(b) "**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended by the Issuer 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 but shall not include any asset-backed securities offered or issued by the Issuer or any Subsidiaries of the Issuer to investors where payments made under such securities are backed by or collateralised against certain assets of the Issuer or its Subsidiaries, **provided that** the aggregate value of such assets at any time shall not exceed 30 per cent. of the consolidated gross assets of the Issuer (as shown by the latest audited balance sheet of the Issuer); and

(c) "**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

4.2 Disposals

The Issuer will not, and will ensure that none of its Principal Subsidiaries (as defined in Condition 10) will (whether by a single transaction or a number of related or unrelated transactions and whether at the same time or over a period of time) sell, transfer or otherwise dispose of any asset if the aggregate value of the assets being disposed, together with those assets previously disposed of since the Issue Date of the relevant Note, at any time exceeds 30 per cent. of the consolidated gross assets of the Issuer (as shown by the latest audited balance sheet of the Issuer) **provided, however, that** such disposal of assets shall not include assets sold or disposed to a trust or a financial institution as part of any asset backed securities transactions or other like arrangement where the payment obligations in respect of the indebtedness whether or not secured by the relevant security interest are to be discharged from the revenues generated by assets over which such security interest is created, if any (including, without limitation, receivables).

4.3 NDRC Post-issue Registration

The Issuer will, where the NDRC Circular applies to the relevant Tranche of Notes, provide or cause to be provided a notification of the requisite information and documents in connection with such Tranche of Notes to the NDRC within the prescribed timeframe after the relevant Issue Date in accordance with the NDRC Circular (the "**NDRC Post-issue Registration**"), and the Issuer undertakes to give notice to the Noteholders in accordance with Condition 14 confirming submission of the NDRC Post-issue Registration as soon as practicable following the NDRC Post-issue Registration.

The Trustee shall have no obligation to monitor and ensure the completion of the NDRC Post-issue Registration on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Registration or to give notice to the Noteholders confirming the completion of the NDRC Post-issue Registration. The Trustee shall not be liable to the Noteholders or any other person for not doing so.

For the purpose of this Condition 4.3:

(a) "**NDRC**" means the National Development and Reform Commission of the People's Republic of China or its local counterparts; and

(b) "**NDRC Circular**" means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and other applicable implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note or Global Certificate, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note or Global Certificate (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(a) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(b) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(c) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

For the purposes of these Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:

    (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

    (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

        (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(c) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

"**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong and any Additional Business Centre specified in the applicable Pricing Supplement; and

(b) either (i) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Hong Kong and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the TARGET2 System) is open for settlements of payments in Euro or (iii) in relation to any sum payable in CNY, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of CNY payments in Hong Kong;

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

5.2.1 Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each "**Interest Period**" (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2.1(i) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong and any Additional Business Centre specified in the applicable Pricing Supplement; and

(b) either (i) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Hong Kong and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the TARGET2 System) is open for settlements of payments in Euro or (iii) in relation to any sum payable in CNY, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of CNY payments in Hong Kong.

5.2.2 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

For the purposes of these Conditions: "**Reference Rate**" means EURIBOR/SONIA/SOFR/€STR or any other applicable benchmarks as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement. Other than in the case of U.S. dollar-denominated floating rate Notes for which the "Reference Rate" is specified in the applicable Pricing Supplement as being SOFR, the term Reference Rate shall, following the occurrence of a Benchmark Event under Condition 5.6 (*Benchmark Discontinuation*), if so specified as applicable in the applicable Pricing Supplement, include any Successor Rate or Alternative Rate and shall, if a Benchmark Event should occur subsequently in respect of any such Successor Rate or Alternative Rate, also include any further Successor Rate or further Alternative Rate. In the case of U.S. dollar-denominated floating rate Notes for which the "Reference Rate" is specified in the applicable Pricing Supplement as being SOFR, the term Reference Rate shall, following the occurrence of a SOFR Benchmark Event under Condition 5.6.7 (*Benchmark Replacement (SOFR)*), if so specified as applicable in the applicable Pricing Supplement, include any Benchmark Replacement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph 5.2.2(i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent (as defined in the ISDA Definitions) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the Euro-zone interbank offered rate ("**EURIBOR**") or the Hong Kong interbank offered rate ("**HIBOR**"), the first day of that Interest Period or (b) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph 5.2.2(i), ("**Floating Rate**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**") have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes not referencing SONIA, SOFR or €STR

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, and the Reference Rate is specified in the applicable Pricing Supplement as being a Reference Rate other than SONIA, SOFR or €STR or any related index, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) 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 11.00 a.m. (Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all 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 (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event, the Rate of Interest shall be calculated in accordance with the terms of Condition 5.6 (*Benchmark Discontinuation*).

If an Independent Adviser is, or is required to be, appointed, such Independent Adviser (acting as an expert) shall be selected by the Issuer (at the expense of the Issuer) and notified in writing to the Trustee, the Issuing and Paying Agent and the Calculation Agent. The Trustee and the Agents shall not be responsible for appointing the appointment of an Independent Adviser, for the compliance by the Independent Adviser of its duties or for verifying any calculation, determination or information made or provided by the Independent Adviser (or for procuring any of the foregoing), and shall incur no responsibility or liability for the same to the Issuer, any Noteholder, Receiptholder or Couponholder or any other person. The Trustee and the Agents may also rely conclusively, without inquiry or liability to any person, on any calculation, determination or information made or provided by the Independent Adviser.

(iii) Screen Rate Determination for Floating Rate Notes referencing SONIA, SOFR or €STR

(A) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, Index Determination is specified in the applicable Pricing Supplement as not applicable and the Reference Rate is specified in the applicable Pricing Supplement as being SONIA, SOFR or €STR:

(1) where the Calculation Method in respect of the relevant Series of Notes is specified in the applicable Pricing Supplement as being "**Compounded Daily**", the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5.2.3 and Condition 5.6 and subject as provided below) be the Compounded Daily Reference Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin, all as determined by the Calculation Agent on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards; and

(2) where the Calculation Method in respect of the relevant Series of Notes is specified in the applicable Pricing Supplement as being "**Weighted Average**", the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5.2.3 and Condition 5.6 and subject as provided below) be the Weighted Average Reference Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin, all as determined by the Calculation Agent on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards.

(B) Where "**SONIA**" is specified as the Reference Rate in the applicable Pricing Supplement, subject to Condition 5.6, if, in respect of any Business Day, the Calculation Agent determines that the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be:

(1) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. London Time (or, if earlier, close of business) on the relevant Business Day; plus (ii) the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or

(2) if the Bank Rate is not published by the Bank of England at 5.00 p.m. London Time (or, if earlier, close of business) on the relevant Business Day, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors),

and, in each case, "r" shall be interpreted accordingly.

Notwithstanding the paragraph above, and without prejudice to Condition 5.6 (*Benchmark Discontinuation*), in the event of the Bank of England publishing guidance as to (i) how the SONIA rate is to be determined or (ii) any rate that is to replace the SONIA rate, the Calculation Agent shall, in accordance with the instructions of the Issuer, follow such guidance to the extent practicable (and to the extent such guidance or instruction, in the opinion of the Calculation Agent, would be operable and would not impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to the Trustee and/or any of the Agents) in order to determine the SONIA rate, for purposes of the Notes, for so long as the SONIA rate is not available or has not been published by the authorised distributors.

(C) Where "**SOFR**" is specified as the Reference Rate in the applicable Pricing Supplement, subject to Condition 5.6, if, in respect of any Business Day, the Calculation Agent determines that the SOFR rate does not appear on the Relevant Screen Page, such Reference Rate shall be the SOFR for the first preceding Business Day on which the SOFR was published on the Relevant Screen Page (and "r" shall be interpreted accordingly).

(D) Where "**€STR**" is specified as the Reference Rate in the applicable Pricing Supplement, subject to Condition 5.6, if, in respect of any Business Day, the Calculation Agent determines that the €STR rate does not appear on the Relevant Screen Page, such Reference Rate shall be the €STR for the first preceding Business Day on which the €STR was published on the Relevant Screen Page (and "r" shall be interpreted accordingly).

(E) In the event that the Rate of Interest for the relevant Interest Period cannot be determined in accordance with the foregoing provisions, subject to Condition 5.6, the Rate of Interest for such Interest Period shall be: (i) that 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 Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period); or (ii) if there is no such preceding Interest Determination Date and the relevant Interest Period is the first Interest Period for the Notes, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period) or (iii) if there is no such preceding Interest Determination Date and the relevant Interest Period is not the first Interest Period for the Notes, the Rate of Interest which applied to the immediately preceding Interest Period.

(F) If the relevant Series of Notes becomes due and payable in accordance with Condition 10 (*Events of Default*), the last Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which any such Note became due and payable and the Rate of Interest on such Notes shall, for so long as the Notes remain outstanding, be that determined on such date.

(G) For the purposes of this Condition 5.2.2(iii):

If "**Payment Delay**" is specified as the Observation Method in the applicable Pricing Supplement as being applicable, all references in these Conditions to interest on the Notes being payable on an Interest Payment Date shall be read as references to interest on the Notes being payable on an Effective Interest Payment Date instead;

"**Applicable Period**" means:

(1) where "**Lag**", "**Lock-out**" or "**Payment Delay**" is specified as the Observation Method in the applicable Pricing Supplement, the relevant Interest Period; and

(2) where "**Observation Shift**" is specified as the Observation Method in the applicable Pricing Supplement, the Observation Period relating to such Interest Period;

"**Business Day**" or "**BD**", means:

(1) where "SONIA" is specified as the Reference Rate in the applicable Pricing Supplement, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

(2) where "SOFR" is specified as the Reference Rate in the applicable Pricing Supplement, any day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in New York are authorised or required by law or regulation to be closed; and

(3) where "€STR" is specified as the Reference Rate in the applicable Pricing Supplement, a day on which TARGET2 System is open for settlements of payments in Euro;

"**Compounded Daily Reference Rate**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate (as indicated in the applicable Pricing Supplement and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Calculation Agent as at the relevant Interest Determination Date as follows, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_i - pBD \times n_i}{D}\right) - 1\right] \times \frac{D}{d}$$

"**d**" means, for the relevant Applicable Period, the number of calendar days in such Applicable Period;

"**d_o**" means, for the relevant Applicable Period, the number of Business Days in such Applicable Period;

"**Effective Interest Payment Date**" means any date or dates specified as such in the applicable Pricing Supplement;

"**€STR**" means, in respect of any Business Day, a reference rate equal to the daily Euro short-term rate for such Business Day as provided by the European Central Bank, as administrator of such rate (or any successor administrator of such rate), on the website of the European Central Bank currently at http://www.ecb.europa.eu, or any successor website officially designated by the European Central Bank (the "ECB's Website") in each case, on or before 9:00 a.m., (Central European Time) on the Business Day immediately following such Business Day;

"**i**" means, for the relevant Applicable Period, a series of whole numbers from one to do, each representing the relevant Business Day in chronological order from, and including, the first Business Day in such Applicable Period;

"**Lock-out Period**" means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

"$\mathbf{n_i}$", for any Business Day "i" in the Applicable Period, means the number of calendar days from, and including, such Business Day "i" up to but excluding the following Business Day;

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

"**Observation Period**" means, in respect of the relevant Interest Period, the period from, and including, the date falling "p" Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is "p" Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"**p**" means, for any Interest Period:

(1) where "**Lag**" is specified as the Observation Method in the applicable Pricing Supplement, the number of Business Days included in the Observation Look-back Period specified in the applicable Pricing Supplement (which shall not be less than five Business Days without the consent of the Calculation Agent) and if no such number is specified, five Business Days;

(2) where "**Lock-out**" is specified as the Observation Method in the applicable Pricing Supplement, zero; and

(3) where "**Observation Shift**" is specified as the Observation Method in the applicable Pricing Supplement, the number of Business Days included in the Observation Look-back Period specified in the applicable Pricing Supplement (which shall not be less than five Business Days without the consent of the Calculation Agent) and if no such number is specified, five Business Days;

"**r**" means:

(1) where in the applicable Pricing Supplement "SONIA" is specified as the Reference Rate and either "Lag" or "Observation Shift" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day;

(2) where in the applicable Pricing Supplement "SOFR" is specified as the Reference Rate and either "Lag" or "Observation Shift" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day;

(3) where in the applicable Pricing Supplement "€STR" is specified as the Reference Rate and either "Lag" or "Observation Shift" is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day;

(4) where in the applicable Pricing Supplement "SONIA" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:

   a. in respect of any Business Day "i" that is a Reference Day, the SONIA rate in respect of the Business Day immediately preceding such Reference Day, and

b. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SONIA rate in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);

(5) where in the applicable Pricing Supplement "SOFR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:

a. in respect of any Business Day "i" that is a Reference Day, the SOFR in respect of the Business Day immediately preceding such Reference Day, and

b. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SOFR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);

(6) where in the applicable Pricing Supplement "€STR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:

a. in respect of any Business Day "i" that is a Reference Day, the €STR in respect of the Business Day immediately preceding such Reference Day, and

b. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the €STR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);

(7) where in the applicable Pricing Supplement "SONIA" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the SONIA rate in respect of the Rate Cut-off Date;

(8) where in the applicable Pricing Supplement "SOFR" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the SOFR in respect of the Rate Cut-off Date; and

(9) where in the applicable Pricing Supplement "€STR" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the €STR in respect of the Rate Cut-off Date;

"**Rate Cut-off Date**" has the meaning given in the applicable Pricing Supplement;

"**Reference Day**" means each Business Day in the relevant Interest Period, other than any Business Day in the Lock-out Period;

"**r_i-pBD** "means the applicable Reference Rate as set out in the definition of "r" above for, (i) where, in the applicable Pricing Supplement, "Lag" is specified as the Observation Method, the Business Day (being a Business Day falling in the relevant Observation Period) falling "p" Business Days prior to the relevant Business Day "i" or, (ii) otherwise, the relevant Business Day "i";

"**SOFR**" means, in respect of any Business Day, a reference rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Federal Reserve's Website, in each case on or about 3.00 p.m. (New York City Time) on the Business Day immediately following such Business Day (the "**SOFR Determination Time**");

"**SONIA**" means, in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors in each case on the Business Day immediately following such Business Day or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England's Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA reference rate);

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

"**Weighted Average Reference Rate**" means:

(1) where "Lag" is specified as the Observation Method in the applicable Pricing Supplement, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day; and

(2) where "Lock-out" is specified as the Observation Method in the applicable Pricing Supplement, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Interest Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period, provided however that for any calendar day of such Interest Period falling in the Lock-out Period, the relevant Reference Rate for each day during that Lock-out Period will be deemed to be the Reference Rate in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall, subject to the proviso above, be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day.

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

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards).

(iv) Index Determination

If Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined and Index Determination is specified in the applicable Pricing Supplement as being applicable, the Rate of Interest applicable to the Notes for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula and rounded to the Relevant Decimal Place, all as determined and calculated by the Calculation Agent on the relevant Interest Determination Date plus or minus (as indicated in the applicable Pricing Supplement) the Margin:

$$\left(\frac{Compounded\ Index\ End}{Compounded\ Index\ Start} - 1\right) \times \frac{Numerator}{d}$$

"**Compounded Index**" shall mean either the SONIA Compounded Index or the SOFR Compounded Index, as specified in the applicable Pricing Supplement;

"**Compounded Index End**" means the relevant Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);

"**Compounded Index Start**" means the relevant Compounded Index value on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period;

"**d**" is the number of calendar days from (and including) the day on which the relevant Compounded Index Start is determined to (but excluding) the day on which the relevant Compounded Index End is determined;

"**Index Days**" means, in the case of the SONIA Compounded Index, London Banking Days, and, in the case of the SOFR Compounded Index, U.S. Government Securities Business Days;

"**London Banking Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**Numerator**" shall, unless otherwise specified in the relevant Pricing Supplement, mean in the case of the SONIA Compounded Index, 365 and, in the case of the SOFR Compounded Index, 360;

"**Relevant Decimal Place**" shall, unless otherwise specified in the applicable Pricing Supplement, be the fifth decimal place in the case of the SONIA Compounded Index and the seventh decimal place in the case of the SOFR Compounded Index, in each case, rounded up or down, if necessary (with 0.000005 or, as the case may be, 0.00000005 being rounded upwards);

"**Relevant Number**" is as specified in the applicable Pricing Supplement, but, unless otherwise specified shall be five in the case of the SONIA Compounded Index and two in the case of the SOFR Compounded Index;

"**SOFR Compounded Index**" means the compounded daily SOFR rate as published at 15:00 (New York time) by the Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source;

"**SONIA Compounded Index**" means the compounded daily SONIA rate as published at 10:00 (London time) by the Bank of England (or a successor administrator of SONIA) on the Bank of England's Interactive Statistical Database, or any successor source; and

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

Provided that a Benchmark Event has not occurred in respect of the relevant Compounded Index, if, with respect to any Interest Period, the relevant Compounded Index Start and/or Compounded Index End is not published by the administrator, then the Calculation Agent shall calculate the rate of interest for that Interest Period as if Index Determination was not specified in the applicable Pricing Supplement and as if SONIA and SOFR (as defined in Condition 5.2.2(iii)) had been specified instead in the applicable Pricing Supplement, and in each case Compounded Daily or Weighted Average is specified as the Calculation Method and "Observation Shift" had been specified as the Observation Method in the applicable Pricing Supplement, and where the Observation Period for the purposes of that definition in Condition 5.2.2(iii) shall be deemed to be the same as the Relevant Number of Index Days specified in the applicable Pricing Supplement and where, in the case of SONIA, the Relevant Screen Page will be determined by the Issuer. For the avoidance of doubt, if a Benchmark Event has occurred in respect of the relevant Compounded Index, the provisions of Conditions 5.6.1 to 5.6.6 shall apply.

5.2.3 Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph 5.2.2 above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph 5.2.2 above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

5.2.4 Determination of Rate of Interest and calculation of Interest Amounts

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Calculation Agent will notify the Issuing and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Issuing and Paying Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note or Global Certificate, the aggregate outstanding nominal amount of the Notes represented by such Global Note or Global Certificate (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

For the purposes of these Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest 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 in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

5.2.5 Notification of Rate of Interest and Interest Amounts

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth Hong Kong Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "**Hong Kong Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Hong Kong.

5.2.6 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Issuing and Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful misconduct, fraud, gross negligence, manifest error or proven error) be binding on the Issuer, the Issuing and Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful misconduct, fraud or gross negligence) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Issuing and Paying Agent, if applicable, the Calculation Agent, the Trustee or any other Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Notes

The rate or amount of interest payable in respect of Dual Currency Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.4 Interest on 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 in the applicable Pricing Supplement.

5.5 Accrual of interest

Each interest-bearing Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue both before and after judgment in accordance with these Conditions until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Notes Trust Deed.

5.6 Benchmark Discontinuation

Conditions 5.6.1 to 5.6.6 shall apply unless Condition 5.6.7 is specified as applicable in the applicable Pricing Supplement.

5.6.1 Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.6.2) and, in either case, an Adjustment Spread (in accordance with Condition 5.6.3) and any Benchmark Amendments (in accordance with Condition 5.6.4).

An Independent Adviser appointed pursuant to this Condition 5.6 shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Agents, the Noteholders or the Couponholders for any determination made by it, pursuant to this Condition 5.6.

If (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5.6 prior to the date which is 5 business days 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 immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.6.1.

5.6.2 Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.6); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.6).

5.6.3 Adjustment Spread

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

5.6.4 Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5.6 and the Independent Adviser determines (A) that amendments to these Conditions, the Notes Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.6.5, without any requirement for the consent or approval of Noteholders, the Trustee or the Agents, vary these Conditions, the Notes Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee and the Agents, of a certificate signed by one Authorised Signatory (as defined in the Notes Trust Deed) pursuant to Condition 5.6.5, the Trustee and/or the Agents shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer to vary these Conditions, the Notes Trust Deed and/or the Agency Agreement to give effect to any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Notes Trust Deed) and neither the Trustee nor any of the Agents shall be liable to any party thereof, **provided that** neither the Trustee nor any of the Agents shall be bound by or obliged to give effect to any Benchmark Adjustment if in the opinion of the Trustee and/or any of the Agents, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to the Trustee and/or any of the Agents in these Conditions, the Notes Trust Deed (including, for the avoidance of doubt, any supplemental trust deed), the Agency Agreement and/or any other documents to which it is a party in any way.

5.6.5 Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.6 will be notified at least 5 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent and the Paying Agents. In accordance with Condition 14, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee and the Agents a certificate signed by one Authorised Signatory of the Issuer:

(A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5.6; and

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

Neither the Trustee nor any of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Amendment or any other changes and each of the Trustee and the Agents shall be entitled to rely conclusively on any certificate provided to it (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the ability of each of the Trustee and the Agents to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5.6, if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5.6, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

5.6.6 Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Conditions 5.6.1, 5.6.2, 5.6.3 and 5.6.4, the Original Reference Rate and the provisions provided for in Condition 5.2.2(ii) will continue to apply unless and until the Benchmark Amendments have been effected.

5.6.7 Benchmark Replacement (SOFR)

This Condition 5.6.7 shall only apply where is specified as applicable in the applicable Pricing Supplement.

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

In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders. The Trustee, the Calculation Agent and the Paying Agents shall, at the direction and expense of the Issuer effect such consequential amendments (the "**Consequential Amendments**") to the Notes Trust Deed, Agency Agreement and these Conditions as may be required to give effect to Condition 5.6.7, *provided that* neither the Trustee nor any of the Agents shall be bound by or obliged to give effect to any Benchmark Replacement or Consequential Amendment if in the opinion of the Trustee and/or any of the Agents, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to the Trustee and/or any of the Agents in these Conditions, the Notes Trust Deed (including, for the avoidance of doubt, any supplemental trust deed), the Agency Agreement and/or any other documents to which it is a party in any way. Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Trustee, the Calculation Agent and the Paying Agents (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

Any determination, decision or election that may be made by the Trustee, the Issuer or any of their respective appointees pursuant to this Condition 5.6.7, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

The Issuer shall promptly, following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 5.6.7, give notice to the Noteholders of the occurrence of a SOFR Benchmark Event and details of the Benchmark Replacement and (where applicable) the Benchmark Replacement Adjustment, the Benchmark Replacement Conforming Changes and/or the Consequential Amendments. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by one Authorised Signatory of the Issuer:

(i) confirming: (1) that a SOFR Benchmark Event has occurred; (2) the relevant Benchmark Replacement; and (3) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes and Consequential Amendments, in each case as determined in accordance with the provisions of this Condition 5.6.7; and

(ii) certifying that the Benchmark Replacement and any applicable Benchmark Replacement Adjustment, Benchmark Replacement Conforming Changes and/or Consequential Amendments are made in accordance with these Conditions and are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Benchmark Discontinuation, Benchmark Discontinuation Adjustment and/or the specific terms of any relevant Benchmark Discontinuation Conforming Changes or Consequential Amendments (if any) specified in such certificate will (in the absence of wilful default, manifest error or bad faith in the determination of the Benchmark Discontinuation, Benchmark Discontinuation Adjustment and/or the specific terms of any relevant Benchmark Discontinuation Conforming Changes or Consequential Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5, if following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes or Consequential Amendments, in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5.6.7, the Calculation Agent shall promptly notify the Trustee and the Issuer, and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason or is entitled under these Conditions or the Agency Agreement not to give effect to the relevant Consequential Amendments, it shall notify the Trustee and the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5.6.7, the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

The following defined terms shall have the meanings set out below for the purpose of this Condition 5.6.7:

"**Benchmark**" means, initially, the SOFR, calculated using the Calculated Method specified in the applicable Pricing Supplement; provided that if the Issuer determines Replacement Date have occurred with respect to the SOFR (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement;

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

(i) the sum of:

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

b. the Benchmark Replacement Adjustment;

(ii) the sum of:

a. the ISDA Fallback Rate; and

b. the Benchmark Replacement Adjustment; or

(iii) the sum of:

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

b. the Benchmark Replacement Adjustment;

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

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement; (b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

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

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

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

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

  a. the date of the public statement or publication of information referenced therein; and

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

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

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

"**ISDA Definitions**" means the 2006 ISDA Definitions or 2021 ISDA Interest Rate Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

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

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

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR, the SOFR Determination Time (where Compounded Daily or Weighted Average is specified as the Calculation Method in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

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

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

5.6.8 Definitions

For the purposes of this Condition 5.6:

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

(A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

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

(D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5.6.2 is customarily applied in the international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5.6.4.

"**Benchmark Event**" means:

(A) the Original Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

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

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

(D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally, or in respect of the Notes;

(E) a public statement by the supervisor of the administrator of the Original Reference Rate (as applicable) that, in the view of such supervisor, (i) such Original Reference Rate is or will (or is or will be deemed by such supervisor to be) no longer representative of an underlying market or (ii) the methodology to calculate such Original Reference Rate has materially changed; or

(F) it has or will become unlawful for any Paying Agent, the Calculation Agent, the Issuer or any other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable);

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

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, none of the Trustee or the Agents shall have any responsibility for monitoring or determining whether or not a Benchmark Event has occurred or may occur or for making such determination.

"**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Calculation Agent.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under or in connection with this Condition 5.

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

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

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

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

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

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

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

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

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

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

5.6.9 Trustee and Agents not responsible

The Trustee and the Agents shall not be responsible or liable for any determinations, decisions or elections made by the Issuer, an Independent Adviser or any of their respective designees with respect to any Benchmark Replacement, Benchmark Amendments or Consequential Amendments or any other changes in relation to any Rate of Interest, and shall be entitled to rely conclusively on any certification or opinion provided to any of them in this regard.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than Euro or CNY will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with;

(b) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee;

(c) payments in CNY will be made by transfer to a CNY account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 Presentation of Definitive Notes, Receipts and Coupons

Payments of principal in respect of Definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Notes, and payments of interest in respect of Definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case during normal business hours at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of Definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Note to which it appertains. Receipts presented without the Definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Interest Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Interest Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of any Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Notes or otherwise in the manner specified in the relevant Global Note (i) in the case of a Global Note lodged with the CMU to the CMU Accountholders and payment made in accordance thereof shall discharge the obligation of the Issuer in respect of that payment, or (ii) in the case of a Global Note not lodged with the CMU, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States during normal business hours. A record of each payment made in respect any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note (in the case of a Global Note not lodged with the CMU) against presentation by the Paying Agent to which it was presented or (in the case of a Global Note lodged with the CMU) on withdrawal of such Global Note by the CMU Lodging and Paying Agent, or in the records of Euroclear, Clearstream, DTC or the CMU, as applicable.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note during normal business hours at the specified office of the Registrar or the U.S. Registrar (as applicable) or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, a day on which Euroclear and Clearstream, are open for business, in respect of Notes clearing through DTC, a day on which DTC is open for business and in respect of Notes clearing through the CMU, a day on which the CMU is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than Euro and CNY) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro and (in the case of a payment in CNY) a bank in Hong Kong.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer to the Designated Account of the holder of the Registered Note (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, a day on which Euroclear and Clearstream are open for business, in respect of Notes clearing through DTC, a day on which DTC is open for business and in respect of Notes clearing through the CMU, a day on which the CMU is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifth day (in the case of CNY) or the fifteenth day (in the case of a currency other than CNY, whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk.

Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an instalment of principal (other than the final instalment) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of Global Certificate in registered form in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the U.S. Paying Agent to an account in the relevant Specified Currency of the U.S. Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

In the case of Registered Note held through the CMU, payment will be made to the CMU Accountholders and such payment shall discharge the obligations of the Issuer in respect of that payment.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note or a Global Certificate (if the Global Note or the Global Certificate is not lodged with the CMU) or the CMU Accountholder (if the Global Note or the Global Certificate is lodged with the CMU) shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate or such CMU Accountholder (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or Global Certificate or such CMU Accountholder in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, DTC or 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 Euroclear, Clearstream, DTC or the CMU, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note or Global Certificate.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (i) the relevant place of presentation (if the Notes are in definitive form);

  (ii) Hong Kong; and

  (iii) each Additional Financial Centre specified in the applicable Pricing Supplement; and

(b) either (A) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in Euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in CNY, a day on which banks and foreign exchange markets are open for business and settlement of CNY payments in Hong Kong; and

(c) in the case of any payment in respect of a Global Certificate denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Global Certificate) has elected to receive any part of such payment in U.S. dollars, a day other than a Saturday or Sunday or any other day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

6.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any Additional Amounts (as defined in Condition 8) which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Notes Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts (as set out in the Pricing Supplement);

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.6); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Notes Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Note), on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, **provided that** in the case of the People's Republic of China, such change or amendment has resulted in the rate of any withholding or deduction being in excess of 10 per cent.; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by one authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders, notwithstanding that such certificate may contain a monetary or other limitation or any exclusion of liability of the Issuer.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(b) not less than five business days before the giving of the notice referred to in Condition 7.3(a) above, notice to the Trustee, the Issuing and Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. If the Notes are to be redeemed in part only, any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, (i) in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear, Clearstream and/or DTC (to be reflected in the records of Euroclear, Clearstream and/or DTC (as applicable) as either a pool factor or a reduction in nominal amount, at their discretion) and/or the CMU (as appropriate); and (ii) in the case of Redeemed Notes represented by a Global Note or Global Certificate, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note or Global Certificate, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, **provided that**, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Calculation Amount. No exchange of the relevant Global Note or Global Certificate will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice (or such other notice period as is specified in the applicable Pricing Supplement) (which notice shall be irrevocable save as provided below) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Registered Notes may be redeemed under this Condition 7.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement. Such option shall operate as set out below.

To exercise the right to require redemption of the Notes pursuant to this Condition 7.4, the holder of each Note must, if such Note is in definitive form and held outside Euroclear, Clearstream, DTC and the CMU, deliver at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during the normal business hours of such Paying Agent or, as the case may be, the Registrar on any Business Day (as defined in Condition 5) falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a Put Notice) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If such Note is in definitive bearer form, the Put Notice must be accompanied by such Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Notice, be held to its order or under its control.

If such Note is represented by a Global Note or Global Certificate or is in definitive form and held through Euroclear, Clearstream, DTC or the CMU, to exercise the right to require redemption of such Note the holder of such Note must, within the notice period, give notice to the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear, Clearstream, DTC and the CMU (which may include notice being given on his instruction by Euroclear, Clearstream, DTC or any common depositary, as the case may be, for them to the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means or notice being given to the CMU Lodging and Paying Agent) in a form acceptable to Euroclear, Clearstream, DTC and the CMU from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, DTC and the CMU given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4.

7.5 Redemption in the case of Minimal Outstanding Amount

If so specified in the applicable Pricing Supplement, the Issuer may at its option, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 and the Trustee (which notice will be irrevocable), redeem, in whole but not in part, the Notes at their principal amount together with any interest accrued to the date fixed for redemption, **provided that** prior to the date of such notice at least 80 per cent. in principal amount of the Notes originally issued has already been redeemed or purchased and cancelled.

7.6 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note (other than a Zero Coupon Note, an Instalment Note and a Partly Paid Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^{y}$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

7.7 Instalments

Instalment Notes will be redeemed in the Instalment Amounts (as set out in the Pricing Supplement) and on the Instalment Dates (as set out in the Pricing Supplement). In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.6.

7.8 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 applicable Pricing Supplement.

7.9 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (**provided that**, in the case of Definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

7.10 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 7.9 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issuing and Paying Agent and cannot be reissued or resold.

7.11 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Issuing and Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes, Receipts and Coupons by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of a Tax Jurisdiction, unless the withholding or deduction of Taxes is required by law. In that event, the Issuer will pay such additional amounts ("**Additional Amounts**") as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of the withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment by or on behalf of a holder who is liable for the Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with such Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon;

(b) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder thereof would have been entitled to an Additional Amount on presenting the same for payment on the thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6).

For the purposes of these Conditions:

(a) "**Tax Jurisdiction**" means Hong Kong and the People's Republic of China, or any political subdivision or any authority thereof or therein having power to tax; and

(b) "**Relevant Date**" means the date on which the payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee, the Issuing and Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders by the Issuer in accordance with Condition 14.

The Issuer or any of its agents making a payment on its behalf shall be permitted to withhold or deduct from any payment of principal or interest any amounts (i) required by the rules of U.S. Internal Revenue Code of 1986 (the "**Code**") Sections 1471 through 1474 (or any amended or successor provisions), any regulations or agreements thereunder, any official interpretation thereof, or (without prejudice to the provisions of this Condition 8) any law implementing an inter-governmental approach thereto, (ii) pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or (iii) pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"), as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive such payment free of FATCA withholding. The Issuer and its agents will have no liability for or have any obligation to pay Additional Amounts in respect of any such FATCA withholding deducted or withheld by the Issuer, any of its agents or any other party.

References in these Conditions to principal, interest and/or premium shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Notes Trust Deed.

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

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of five years after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Notes Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

(a) if default is made in the payment of any principal, premium (if any) or interest due in respect of the Notes or any of them and the default continues for a period of (in the case of any principal or premium) 5 days or (in the case of any interest) 14 days; or

(b) if the Issuer does not perform or comply with one or more of its other obligations under the Conditions, the Agency Agreement or the Notes Trust Deed and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), other than at the option of the Issuer or such Principal Subsidiary or any person entitled to such indebtedness (for the avoidance of doubt, excluding any person to which such indebtedness is owed), (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period or (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised **provided that** the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10.1(c) have occurred equals or exceeds U.S.$60,000,000 (or its equivalent in any other currency or currencies); or

(d) if 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 or any of the Principal Subsidiaries and is not discharged or stayed within 30 days; or

(e) if any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of the 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 or stayed within 30 days; or

(f) if the Issuer or any of the Principal Subsidiaries is (or could be deemed by law or a court 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 (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer or any of the Principal Subsidiaries; or

(g) if an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of the Principal Subsidiaries, or the Issuer or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except, in each case, (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (x) on terms approved by Extraordinary Resolution of the Noteholders or (y) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries or (ii) in connection with a voluntary solvent winding-up, liquidation or dissolution of any Principal Subsidiary; or (iii) in connection with any disposal or sale of any Principal Subsidiary to any other person on arms' length terms, where the proceeds resulting from such disposal or sale are transferred to or vested in the Issuer or another of its Subsidiaries; or

(h) if 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 to lawfully enter into, exercise its rights and perform and comply with its obligations under or in respect of the Notes, the Agency Agreement and the Notes Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Agency Agreement and the Notes Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(i) if it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under or in respect of any of the Notes, the Agency Agreement or the Notes Trust Deed; or

(j) if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.

For the purposes of these Conditions, "**Principal Subsidiary**" means any Subsidiary of the Issuer:

(a) whose gross revenues (consolidated in the case of a Subsidiary which has Subsidiaries) attributable to the Issuer, as shown by its latest audited statement of comprehensive income are at least 10 per cent. of the consolidated gross revenues as shown by the latest published audited statement of comprehensive income of the Issuer and its consolidated Subsidiaries; or

(b) whose profits before taxation and exceptional items ("**pre-tax profit**") (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, as shown by its latest audited statement of comprehensive income, are at least 10 per cent. of the consolidated pre-tax profit as shown by the latest published audited consolidated statement of comprehensive income of the Issuer and its consolidated Subsidiaries, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share or profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(c) whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, as shown by its latest audited balance sheet, are at least 10 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests;

provided that, in relation to paragraphs (a), (b) and (c) above:

(i) 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 relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer 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 and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, gross income, pre-tax profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its 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 for the purposes of preparing a certificate thereon to the Trustee; and

(iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, 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, or

(d) any Subsidiary of the Issuer 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 shall become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, **provided that** the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary unless such Subsidiary which so transfers its assets would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a), (b) or (c) above.

A certificate prepared by an authorised signatory of the Issuer whether or not addressed to the Trustee, that in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties, notwithstanding that such certificate may contain a monetary or other limitation or an exclusion of liability of the Issuer. The Trustee shall not be obliged to take any steps to ascertain whether a potential Event of Default or Event of Default has occurred or to monitor the occurrence of any potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Notes Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Notes Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified, secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and the failure shall be continuing, in which case the Noteholders, Receiptholders or Couponholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

10.3 Extent of Holders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Noteholders, Receiptholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Notes Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Notes Trust Deed, as the case may be.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that**:

(a) there will at all times be a Paying Agent and a Registrar, including a U.S. Paying Agent or a U.S. Registrar (as applicable);

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) (or a U.S. Paying Agent, as the case may be) and a Registrar and Transfer Agent (in the case of Registered Notes) (or a U.S. Registrar and U.S. Transfer Agent, as the case may be) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) so long as any of the Global Certificates denominated in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be a U.S. Exchange Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Hong Kong. It is expected that any such publication in a newspaper will be made in the South China Morning Post in Hong Kong. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding Registered Notes will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the day after mailing and (b) if and for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relevant Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

15.1 Meeting of Noteholders

The Notes Trust Deed contains provisions for convening meetings (including in physical or virtual form) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Notes Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent, in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Notes Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-quarter in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders. The Notes Trust Deed provides that a written resolution signed by or on behalf of the Holders of not less than 90 per cent. of the nominal amount of Notes for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

The consent or approval of the Noteholders shall not be required in the case of amendments to these Conditions pursuant to Condition 5.6 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 or for any other variation of these Conditions, the Notes Trust Deed and/or the Agency Agreement required to be made in the circumstances described in Condition 5.6, where the requirements of Condition 5.6 have been satisfied (including the provision of a certificate to the Trustee, where applicable).

Where the terms of the proposed resolution have been notified to the Noteholders through the relevant clearing system(s) as provided below, each of the Issuer, the Trustee and the Agents shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of Electronic Consents (as defined in the Notes Trust Deed) by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. None of the Issuer or the Trustee or any of their respective directors, officers, employees or agents shall be liable or responsible to anyone for such reliance.

15.2 Modifications

The Trustee and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except such modification in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons, the Agency Agreement or the Notes Trust Deed which in the Trustee's opinion is not materially prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons, the Agency Agreement or the Notes Trust Deed which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any applicable law.

The Trustee may agree, at the direction of the Noteholders, Receiptholders or Couponholders through an Extraordinary Resolution, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Notes Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any applicable law. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

15.3 Interests of Holders

In connection with the exercise by it of its functions, rights, powers and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Notes Trust Deed.

The Trustee may, at the direction of the Noteholders through an Extraordinary Resolution, agree with the Issuer, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, Receipts, Coupons and the Notes Trust Deed of another company, being a Subsidiary of the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Notes Trust Deed being complied with.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Notes Trust Deed contains provisions for the indemnification of and/or provision of security to the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

The Notes Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

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

17. FURTHER ISSUES

The Issuer shall be at liberty, from time to time, without the consent of the Noteholders, the Receiptholders or the Couponholders, to create and issue further notes having terms and conditions the same as the Notes (or the same in all respects save for the amount and date of the first payment of interest thereon) and so that such further issue shall be consolidated and form a single Series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single Series with the Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Notes Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and the Talons 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.

19.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Trustee, the Agents, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and/or the Talons and accordingly submit to the exclusive jurisdiction of the English courts (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as Proceedings) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) may be brought in such courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum and further agrees that a final judgment in any Proceedings brought in the English courts shall be conclusive and binding upon it.

The Trustee, the Agents, the Noteholders, the Receiptholders and the Couponholders, may take any Proceedings against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at 8th Floor, 100 Bishopsgate, London, EC2N 4AG as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings and notify the Trustee, the Agents and the Noteholders of such appointment. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

TERMS AND CONDITIONS OF THE SECURITIES

This Security is one of a Series (as defined below) of Securities issued by Far East Horizon Limited (the "**Issuer**") constituted by an amended and restated securities trust deed (such amended and restated securities trust deed as modified and/or supplemented and/or restated from time to time, the "**Securities Trust Deed**") dated 13 July 2022 made between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "**Securities**" shall be references to the Securities of this Series and shall mean:

(a) in relation to any Securities represented in global form, units of the lowest Specified Denomination in the Specified Currency;

(b) any global Security in registered form (each a "**Global Certificate**");

(c) any definitive Security in registered form ("**Definitive Certificate**", together with the Global Certificate, the "**Certificate**") issued in exchange for a Global Certificate.

The Securities have the benefit of an amended and restated agency agreement (such amended and restated agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 13 July 2022 and made between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as the issuing and paying agent (the "**Issuing and Paying Agent**", which expression shall include any successor issuing and paying agent), The Hongkong and Shanghai Banking Corporation Limited as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression shall include any successor CMU lodging and paying agent), the other paying agents named therein (together with the Issuing and Paying Agent, the CMU Lodging and Paying Agent and the U.S. Paying Agent (as defined below), the "**Paying Agents**", which expression shall include any additional or successor paying agents), The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression shall include any successor registrar) and as transfer agent (together with the Registrar and the other transfer agents named therein, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents), and The HSBC Bank USA, National Association as the U.S. paying agent, U.S. registrar, U.S. transfer agent and U.S. exchange agent (the "**U.S. Paying Agent**", "**U.S. Registrar**", "**U.S. Transfer Agent**" and "**U.S. Exchange Agent**"). For the purposes of these Conditions, all references (other than in relation to the determination of Distribution and other amounts payable in respect of the Securities) to the Issuing and Paying Agent shall, with respect to a Series of Securities to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

The final terms for this Security (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Security which supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Security. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Security.

The Trustee acts for the benefit of the Holders for the time being of the Securities (the "**Securityholders**", which expression shall, in relation to any Securities represented by a Global Certificate, be construed as provided in Condition 1 below) in accordance with the provisions of the Securities Trust Deed.

As used herein:

(a) "**Tranche**" means Securities which are identical in all respects (including as to listing and admission to trading);

(b) "**Senior Perpetual Securities**" means Securities specified in the applicable Pricing Supplement as senior perpetual securities;

(c) "**Series**" means a Tranche of Securities together with any further Tranche or Tranches of Securities which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Distribution Commencement Dates and/or Issue Prices; and

(d) "**Subordinated Perpetual Securities**" means Securities specified in the applicable Pricing Supplement as subordinated perpetual securities.

Upon prior written request and proof of holding, copies of the Securities Trust Deed and the Agency Agreement are (i) available for inspection during normal business hours (being 9:00 a.m. to 3:00 p.m. local time on weekdays (excluding public holidays)) at the specified office for the time being of the Trustee and at the specified office of each of the Paying Agents, the Registrar, the U.S. Registrar, the other Paying Agents, Transfer Agents, the U.S. Transfer Agent, and the U.S. Exchange Agent (such Paying Agents, Transfer Agents, U.S. Transfer Agent, U.S. Registrar, U.S. Exchange Agent and the Registrar, and together with the Calculation Agent (if it also being the Issuing and Paying Agent or the U.S. Paying Agent), being together referred to as "**Agents**") or (ii) available electronically from the Trustee via e-mail written request to hkcorporate.trust.queries@hsbc.com.hk. Copies of the applicable Pricing Supplement are available for viewing during normal business hours at the registered office of the Issuer and of any Agent (as applicable) and copies may be obtained from those offices save that, if this Security is an unlisted Security of any Series, the applicable Pricing Supplement will only be obtainable by a Securityholder holding one or more unlisted Securities of that Series and such Securityholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, and the relevant Agent as to its holding of such Securities and identity. The Securityholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Securities Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Securities Trust Deed and the Agency Agreement.

Words and expressions defined in the Securities Trust Deed, the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Securities Trust Deed and the Agency Agreement, the Securities Trust Deed will prevail and, in the event of inconsistency between the Securities Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Securities are in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Securities, serially numbered, in the Specified Currency and the Specified Denomination(s). Securities of one Specified Denomination may not be exchanged for Securities of another Specified Denomination.

Subject as set out below, title to Securities will pass upon registration of transfers in the register which is kept by the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Agents and the Trustee will (except as otherwise required by law) deem and treat the registered Holder of any Security as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Certificate, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Securities is represented by a Global Certificate held on behalf of Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream**"), The Depository Trust Company ("**DTC**") and/or the Hong Kong Monetary Authority as operator of the Central Moneymarkets Unit Service (the "**CMU**"), each person (other than Euroclear, Clearstream, DTC or the CMU) who is for the time being shown in the records of Euroclear, Clearstream, DTC or the CMU as the Holder of a particular nominal amount of such Securities (in which regard any certificate or other document issued by Euroclear, Clearstream, DTC or the CMU as to the nominal amount of such Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Agents and the Trustee as the Holder of such nominal amount of such Securities for all purposes other than with respect to the payment of principal or Distribution on such nominal amount of such Securities, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Agents and the Trustee as the Holder of such nominal amount of such Securities in accordance with and subject to the terms of the relevant Global Certificate and the expressions "**Securityholder**" and "**Holder**" and related expressions shall be construed accordingly. Notwithstanding the above, if a Security (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Security shall be made to the person(s) for whose account(s) interests in such Security are credited as being held through the CMU in accordance with the CMU Rules at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Issue Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU as to the identity of any accountholder and the principal amount of any Security credited to its account, save in the case of manifest error) ("**CMU Accountholders**") and such payments shall discharge the obligation of the Issuer in respect of that payment under such Security.

For so long as DTC or its nominee is the registered owner or holder of a Global Certificate, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of the Securities represented such Global Certificate for all purposes under the Securities Trust Deed and the Agency Agreement and the Securities except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Securities which are represented by a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, DTC or the CMU, as the case may be.

References to Euroclear, Clearstream, DTC and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Agents and the Trustee.

2. TRANSFERS OF SECURITIES

2.1 Transfers of interests in Global Certificates

Transfers of beneficial interests in Global Certificates will be effected by Euroclear, Clearstream, DTC or the CMU, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Certificate or for a beneficial interest in another Global Certificate only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, DTC or the CMU, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Definitive Certificates

Subject as provided in Condition 2.7 and Condition 2.8 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Certificate may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (a) the Holder or Holders must (i) surrender the Definitive Certificate for registration of the transfer of the Definitive Certificate (or the relevant part of the Definitive Certificate) during normal business hours at the specified office of the Registrar or the U.S. Registrar (as applicable) or any Transfer Agent or U.S. Transfer Agent (as applicable), with the form of transfer thereon duly executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the Registrar or the U.S. Registrar (as applicable) or, as the case may be, the relevant Transfer Agent or the U.S. Transfer Agent (as applicable) during normal business hours at their respective specified offices and (b) the Registrar or the U.S. Registrar (as applicable) or, as the case may be, the relevant Transfer Agent or the U.S. Transfer Agent (as applicable) must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar (or the U.S. Registrar, as the case may be) may from time to time prescribe (the initial such regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or the U.S. Registrar (as applicable) or, as the case may be, the relevant Transfer Agent or the U.S. Transfer Agent (as applicable) will, within three business days (being for the purpose of this Condition a day on which banks are open for business in the city where the specified office of the Registrar or the U.S. Registrar (as applicable) or, as the case may be, the relevant Transfer Agent or the U.S. Transfer Agent (as applicable) is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), procure the authentication and delivery of, to the transferee at its specified office or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Certificate of a like aggregate nominal amount to the Definitive Certificate (or the relevant part of the Definitive Certificate) transferred. In the case of the transfer of part only of the Definitive Certificate, a new Definitive Certificate in respect of the balance of the definitive Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Securities under Condition 7, the Issuer shall not be required to register the transfer of any Security, or part of a Security, called for partial redemption.

2.4 Costs of registration

Securityholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration. To the extent that any such costs and expenses are incurred by the Trustee and/or the Agents, the Trustee and/or the Agents will be indemnified according to the Securities Trust Deed and the Agency Agreement.

2.5 Transfers of interests in Regulation S Global Certificate

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Certificate to a transferee in the United States or who is a U.S. person will only be made:

2.5.1 upon receipt by the Registrar or the U.S. Registrar (as applicable) of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or the U.S. Registrar (as applicable) or any Transfer Agent or the U.S. Transfer Agent (as applicable), from the transferor of the Security or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor, together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or

2.5.2 otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any States of the United States, and, in each case, in accordance with any applicable securities laws of any States of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Security in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Security in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interest in Regulation S Global Certificates registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certificate requirements will no longer apply to such transfers.

2.6 Transfer of interests in Legended Securities

Transfers of Legended Securities or beneficial interests therein may be made:

2.6.1 to a transferee who takes delivery of such interest through a Regulation S Global Certificate, upon receipt by the Registrar or the U.S. Registrar (as applicable) of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Certificate registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interest in the Securities being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

2.6.2 to a transferee who takes delivery of such interest through a Legended Security:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

2.6.3 otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Securities transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar or the U.S. Registrar (as applicable) will arrange for any Securities which are subject of such a transfer to be represented by the appropriate Registered Global Certificate, where applicable.

Upon the transfer, exchange or replacement of Legended Securities, or upon specific require for removal of the Legend, the Registrar or the U.S. Registrar (as applicable) shall deliver only Legended Securities or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Closed Periods

No Securityholder may require the transfer of a Security to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Distribution in respect of, that Security, (ii) during the period of 15 days before any date on which Securities may be called for redemption by the Issuer at its option pursuant to Condition 7.2, (iii) after any such Security has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6.2).

2.8 Exchanges and transfers of Definitive Certificates generally

Holders of Definitive Certificates may exchange such Certificates for interests in a Global Certificate of the same type at any time.

3. STATUS OF THE SECURITIES

3.1 Status of Senior Perpetual Securities

The Senior Perpetual Securities are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4.1) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3.2 Status of Subordinated Perpetual Securities

The Subordinate Perpetual Securities are direct, subordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and with any Parity Securities of the Issuer. The rights and claims of the Securityholders in respect of the Subordinated Perpetual Securities are subordinated as provided in this Condition 3.

3.3 Ranking of claims in respect of Subordinated Perpetual Securities

Subject to all applicable laws and regulations, in the event of the Winding-Up of the Issuer, the rights and claims of the Securityholders in respect of the Subordinated Perpetual Securities shall: (i) rank ahead of those persons whose claims are in respect of any Junior Securities of the Issuer; (ii) rank *pari passu* with the claims of holders of Parity Securities of the Issuer; and (iii) (save as otherwise provided in the applicable Pricing Supplement) only junior to the claims of the general creditors of the Issuer.

3.4 Set-off – Subordinated Perpetual Securities

In case of Subordinated Perpetual Securities only, subject to all applicable laws and regulations, no Securityholder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities, and each Securityholder shall, by virtue of his holding of any Subordinated Perpetual Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer.

Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

4. COVENANTS

4.1 Negative Pledge

In respect of Senior Perpetual Securities only, for so long as any Senior Perpetual Securities remains outstanding, the Issuer will not, and will ensure that none of its Subsidiaries (other than Listed Subsidiaries) will create, or have outstanding, any mortgage, charge, lien, pledge or other 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 (as defined below), or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to such Senior Perpetual Security the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Securities Trust Deed) of the Securityholders.

For the purposes of these Conditions:

(a) "**Listed Subsidiary**" means any Subsidiary of the Issuer whose shares are at the relevant time listed on any stock exchange and each of its Subsidiaries;

(b) "**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended by the Issuer 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 but shall not include any asset-backed securities offered or issued by the Issuer or any Subsidiaries of the Issuer to investors where payments made under such securities are backed by or collateralised against certain assets of the Issuer or its Subsidiaries, **provided that** the aggregate value of such assets at any time shall not exceed 30 per cent. of the consolidated gross assets of the Issuer (as shown by the latest audited balance sheet of the Issuer).

For avoidance of doubt, this provision under Condition 4.1 does not apply to Subordinated Perpetual Securities.

4.2 Disposals

The Issuer will not, and will ensure that none of its Principal Subsidiaries will (whether by a single transaction or a number of related or unrelated transactions and whether at the same time or over a period of time) sell, transfer or otherwise dispose of any asset if the aggregate value of the assets being disposed, together with those assets previously disposed of since the Issue Date of the relevant Security, at any time exceeds 30 per cent. of the consolidated gross assets of the Issuer (as shown by the latest audited balance sheet of the Issuer) **provided, however, that** such disposal of assets shall not include assets sold or disposed to a trust or a financial institution as part of any asset backed securities transactions or other like arrangement where the payment obligations in respect of the indebtedness whether or not secured by the relevant security interest are to be discharged from the revenues generated by assets over which such security interest is created, if any (including, without limitation, receivables).

4.3 NDRC Post-issue Registration

The Issuer will, where the NDRC Circular applies to the relevant Tranche of Securities, provide or cause to be provided a notification of the requisite information and documents in connection with such Tranche of Securities to the NDRC within the prescribed timeframe after the relevant Issue Date in accordance with the NDRC Circular (the "**NDRC Post-issue Registration**"), and the Issuer undertakes to give notice to the Securityholders in accordance with Condition 13 confirming submission of the NDRC Post-issue Registration as soon as practicable following the NDRC Post-issue Registration.

The Trustee shall have no obligation to monitor and ensure the completion of the NDRC Post-issue Registration on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Registration or to give notice to the Securityholders confirming the completion of the NDRC Post-issue Registration. The Trustee shall not be liable to the Securityholders or any other person for not doing so.

5. DISTRIBUTION

5.1 Accrual of Distribution

Subject to Condition 5.5, the Securities confer a right to receive distribution (each a "**Distribution**") from the Distribution Commencement Date at the Distribution Rate in accordance with this Condition 5. Subject to Condition 5.5 and save as otherwise provided in the applicable Pricing Supplement, Distribution shall be payable on the Securities semi-annually in arrear on each Distribution Payment Date.

Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such event, the right to a Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (ii) the day which is three days after the Issuing and Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such third day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

Distribution payable under this Condition 5 will be paid in accordance with Condition 6.1.

5.2 Rate of Distribution

The rate of Distribution ("**Distribution Rate**") applicable to the Securities shall be:

5.2.1 in respect of the period from, and including, the Issue Date to, but excluding the First Reset Date, the Initial Distribution Rate; and

5.2.2 in respect of the periods (A) from, and including, the First Reset Date to, but excluding, the immediately following Reset Date and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

5.3 Step up after occurrence of certain events

5.3.1 If so specified in the applicable Pricing Supplement, notwithstanding any other provision of this Condition 5, upon the occurrence of a Breach of Covenant Event or a Relevant Indebtedness Default Event, unless such event is remedied by the 30th day following its occurrence (the "**Grace Period**") or the Issuer elects to redeem the Securities in accordance with Condition 7.5, the then-prevailing Distribution Rate, and (subject to Condition 5.3.2) each subsequent Distribution Rate otherwise determined in accordance with the provisions of this Condition 5, shall be increased by the Step-up Rate with effect from (and including) (a) the next Distribution Payment Date or (b) if the date on which a Breach of Covenant Event or a Relevant Indebtedness Default Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, and the Grace Period extends beyond such recent preceding Distribution Payment Date and such Breach of Covenant Event or Relevant Indebtedness Default Event, as the case may be, is not remedied upon the expiry of the Grace Period, such Distribution Payment Date; **provided that** the maximum aggregate increase in the Distribution Rate pursuant to this Condition 5.3 shall be the Step-up Rate and the Distribution Rate shall not in any event exceed the Maximum Distribution Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this Condition 5.3 is separate from and in addition to any increase in the Distribution Rate pursuant to Condition 5.2.2.

Any increase in the Distribution Rate pursuant to this Condition 5.3 shall be notified by the Issuer to the Holders, the Trustee and the Agents in writing no later than the 14th day following the occurrence of a Breach of Covenant Event or, as the case may be, a Relevant Indebtedness Default Event.

If a Distribution Payment Date shall fall within 30 days of the date on which a Breach of Covenant Event or, as the case may be, a Relevant Indebtedness Default Event occurs, any additional Distribution accrued up to (but excluding) such Distribution Payment Date pursuant to this Condition 5.3.1 shall be payable only on the next following Distribution Payment Date.

5.3.2 If following an increase in the Distribution Rate after a Breach of Covenant Event or a Relevant Indebtedness Default Event pursuant to Condition 5.3.1 the relevant Breach of Covenant Event or Relevant Indebtedness Default Event is cured, upon written notice of such facts being given to the Holders in accordance with Condition 13 (*Notices*) and the Trustee, the Distribution Rate shall be decreased by the Step-up Rate with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives evidence to its satisfaction of the cure of such Breach of Covenant Event or, as the case may be, such Relevant Indebtedness Default Event, **provided that** the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 5.3.2 shall be the Step-up Rate.

5.4 Calculation of Distribution Amount

5.4.1 The amount of Distribution payable in respect of each Security of any period shall be calculated by applying the Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which a Distribution Payment Date should occur or (y) if any Distribution Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(a) the Following Business Day Convention, such Distribution Payment Date shall be postponed to the next day which is a Business Day; or

(b) the Modified Following Business Day Convention, such Distribution Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Distribution Payment Date shall be brought forward to the immediately preceding Business Day; or

(c) the Preceding Business Day Convention, such Distribution Payment Date shall be brought forward to the immediately preceding Business Day.

5.4.2 If the applicable Pricing Supplement specified that the Distribution Rate is subject to reset, the Calculation Agent will, on the second Business Day prior to each Reset Date, calculate the Relevant Reset Distribution Rate payable in respect of each Security. The Calculation Agent will cause the applicable Distribution Rate determined by it to be notified to the Paying Agents, the Trustee and the Issuer as soon as practicable after the date on which it has been calculated. Notice thereof shall also promptly in turn be given to the Holders by the Issuer. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5.4 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Agents, the Trustee and the Holders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

5.5 Distribution Deferral

5.5.1 Deferral

Unless a Relevant Compulsory Distribution Payment Event has occurred, the Issuer may, at its sole discretion, elect to defer (in whole or in part) a Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (a "**Deferral Election Notice**") of such election to the Holders in accordance with Condition 13, the Trustee and the Issuing and Paying Agent not more than ten nor less than five business days in Hong Kong prior to the relevant Distribution Payment Date (a "**Deferral Election Event**"). Any partial payment of any Distribution by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.

For the avoidance of doubt, the Issuer's right of optional deferral pursuant to Condition 5.5.1 will not be affected solely as a result of the incurrence of any Parity Securities or Junior Securities. In addition, the incurrence of any Parity Securities (including any senior indebtedness) or Junior Securities itself will not constitute a Relevant Compulsory Distribution Payment Event. A non-discretionary payment on, or redemption of, Parity Securities or Junior Securities (such as a scheduled payment of principal and interest on such Parity Securities or Junior Securities, which the issuer thereof has no right to defer) does not constitute a Relevant Compulsory Distribution Payment Event.

5.5.2 No obligation to pay

The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amounts) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 5.5.1.

5.5.3 Requirements as to notice

Each Deferral Election Notice shall be accompanied, in the case of the notice to the Trustee and the Issuing and Paying Agent, by a certificate in the form scheduled to the Securities Trust Deed signed by one authorised signatory of the Issuer confirming that no Relevant Compulsory Distribution Payment Event has occurred. The Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence of a Deferral Election Event (and that no Relevant Compulsory Distribution Payment Event has occurred) in which event it shall be conclusive and binding on the Holders.

5.5.4 Cumulative deferral

Any Distribution deferred pursuant to this Condition 5.5 shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to this Condition 5.5 except that Condition 5.5.5 shall be complied with until all outstanding Arrears of Distribution have been paid in full.

Each amount of Arrears of Distribution shall accrue distribution at the prevailing Distribution Rate and the amount of such distribution (the "**Additional Distribution Amounts**") with respect to Arrears of Distribution shall be due and payable as if it were a Distribution pursuant to this Condition 5 and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5. The Additional Distribution Amounts accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amounts accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

5.5.5(A) *Restrictions in the case of deferral – Senior Perpetual Securities*

This Condition 5.5.5(A) applies to the Senior Perpetual Securities only. If, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date (including any Distribution accrued but unpaid on the Senior Perpetual Securities (including any Arrears of Distribution and any Additional Distribution Amounts)) is not made in full by reason of this Condition 5, the Issuer shall not:

(a) declare or pay any discretionary dividends, discretionary distribution or make any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, on any of its Junior Securities or Parity Securities (except (i) in relation to its Parity Securities, on a *pro rata* basis with the Senior Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); or

(b) at its discretion repurchase, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any of its Junior Securities or Parity Securities prior to its stated maturity (except (i) in relation to its Parity Securities, on a *pro rata* basis with the Senior Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities),

in each case, unless and until (a) the Issuer satisfies in full all outstanding Arrears of Distribution and any Additional Distribution Amounts; or (b) it is permitted to do so by an Extraordinary Resolution (as defined in the Securities Trust Deed) of the Holders, **provided that** nothing in this Condition 5.5.5(A) shall restrict the ability of the Issuer to advance loans to any of its shareholders or shareholders of other Subsidiaries of the Issuer or otherwise invest in such shareholders' or Subsidiaries' debt, howsoever issued or represented.

5.5.5(B) *Restrictions in the case of deferral – Subordinated Perpetual Securities*

This Condition 5.5.5(B) applies to the Subordinated Perpetual Securities only. If, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date (including any Distribution accrued but unpaid on the Subordinated Perpetual Securities (including any Arrears of Distribution and any Additional Distribution Amounts)) is not made in full by reason of this Condition 5, the Issuer shall not:

(a) declare or pay any discretionary dividends, discretionary distribution or make any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, on any of its Junior Securities or Parity Securities (except (i) in relation to its Parity Securities, on a pro rata basis with the Subordinated Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); or

(b) at its discretion repurchase, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any of its Junior Securities or Parity Securities prior to its stated maturity (except (i) in relation to its Parity Securities, on a pro rata basis with the Subordinated Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities),

in each case, unless and until (a) the Issuer satisfies in full all outstanding Arrears of Distribution and any Additional Distribution Amounts; or (b) it is permitted to do so by an Extraordinary Resolution (as defined in the Securities Trust Deed) of the Holders, **provided that** nothing in this Condition 5.5.5(B) shall restrict the ability of the Issuer to advance loans to any of its shareholders or shareholders of other Subsidiaries of the Issuer or otherwise invest in such shareholders' or Subsidiaries' debt, howsoever issued or represented.

5.5.6 Satisfaction of arrears of distribution by payment

The Issuer may satisfy any Arrears of Distribution and any Additional Distribution Amounts (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 13), the Trustee and the Issuing and Paying Agent not more than ten nor less than five Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and any Additional Distribution Amounts on the payment date specified in such notice); and in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) and any Additional Distribution Amounts on the earliest of (a) the date of redemption of the Securities in accordance with Condition 7; (b) the next Distribution Payment Date on the occurrence of a breach of Condition 5.5.5 or the occurrence of a Relevant Compulsory Distribution Payment Event; (c) on a Winding-Up of the Issuer; and (d) the date of any substitution or variation in accordance with Condition 15.2. Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amounts by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.

5.5.7 No default

Notwithstanding any other provision in these Conditions or in the Securities Trust Deed, the deferral of any Distribution payment pursuant to this Condition 5.5 shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 10) on the part of the Issuer under the Securities or for any other purpose.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than Euro or CNY will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with;

(b) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee;

(c) payments in CNY will be made by transfer to a CNY account maintained by or on behalf of the Securityholder with a bank in Hong Kong,

Distribution due on a Distribution Payment Date will be paid on the due date for the payment of such Distribution to the Holder shown on the Register at the close of business on the Record Date.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 Payments in respect of Securities

Payments of principal in respect of each Security will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Security during normal business hours at the specified office of the Registrar or the U.S. Registrar (as applicable) or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the Holder (or the first named of joint Holders) appearing in the register of Holders maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose, in respect of Securities clearing through Euroclear and Clearstream, a day on which Euroclear and Clearstream are open for business, in respect of Securities clearing through DTC, a day on which DTC is open for business and in respect of Securities clearing through the CMU, a day on which the CMU is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for the purpose of this Condition a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a Holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than Euro and CNY) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro and (in the case of a payment in CNY) a bank in Hong Kong.

Payments of Distribution and payments of principal in respect of each Security (whether or not in global form) will be made by transfer to the Designated Account of the Holder (i) where in global form, at the close of the business day (being for this purpose, in respect of Securities clearing through Euroclear and Clearstream, a day on which Euroclear and Clearstream are open for business, in respect of Securities clearing through DTC, a day on which DTC is open for business and in respect of Securities clearing through the CMU, a day on which the CMU is open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifth day (in the case of CNY) or the fifteenth day (in the case of a currency other than CNY, whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk.

Upon application of the Holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of Distribution or principal in respect of a Security, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of Distribution (other than Distribution due on redemption) and principal in respect of the Securities which become payable to the Holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such Holder. Payment of the Distribution due in respect of each Securities on redemption and principal will be made in the same manner as payment of the principal amount of such Securities.

No commissions or expenses shall be charged to such Holders by the Registrar in respect of any payments of principal or Distribution in respect of the Securities.

All amounts payable to DTC or its nominee as registered holder of Global Certificate in registered form in respect of Securities denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the U.S. Paying Agent to an account in the relevant Specified Currency of the U.S. Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

In the case of Securities held through the CMU, payment will be made to the CMU Accountholders and such payment shall discharge the obligations of the Issuer in respect of that payment.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.3 General provisions applicable to payments

The holder of a Global Certificate (if the Global Certificate is not lodged with the CMU) or the CMU Accountholder (if the Global Certificate is lodged with the CMU) shall be the only person(s) entitled to receive payments in respect of Securities represented by such Global Certificate or such CMU Accountholder (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Certificate or such CMU Accountholder in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, DTC or the CMU as the beneficial Holder of a particular nominal amount of Securities represented by such Global Certificate must look solely to Euroclear, Clearstream, DTC or the CMU, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Certificate.

6.4 Payment Day

If the date for payment of any amount in respect of any Security is not a Payment Day (as defined below), the Holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further distribution or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (a) the relevant place of presentation (if the Securities are in definitive form);

  (b) Hong Kong; and

  (c) each Additional Financial Centre specified in the applicable Pricing Supplement; and

(b) either (A) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in Euro, a day on which the TARGET2 System is open or (C) in relation to any sum payable in CNY, a day on which banks and foreign exchange markets are open for business and settlement of CNY payments in Hong Kong; and

(c) in the case of any payment in respect of a Global Certificate denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Global Certificate) has elected to receive any part of such payment in U.S. dollars, a day other than a Saturday or Sunday or any other day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

7. REDEMPTION AND PURCHASE

7.1 No fixed redemption date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (without prejudice to Condition 10) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 7.

7.2 Redemption at the Option of the Issuer

If so specified in the applicable Pricing Supplement, the Issuer may at its option, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 13, the Securityholders (which notice shall be irrevocable), redeem all, but not some only, of the Securities:

(i) on the First Call Date; or

(ii) in the case where the First Call Date does not fall on the same date as the First Reset Date, at any time during the period from the First Call Date and (including) the First Reset Date; or

(iii) on any Distribution Payment Date falling after the First Call Date,

(each, a "**Call Date**").

On expiry of any such notice as is referred to in this Condition 7.2, the Issuer shall be bound to redeem the Securities on the relevant Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amounts).

7.3 Redemption for tax reasons

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 13, the Securityholders (which notice shall be irrevocable) at their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amounts (if any) and any Distribution accrued to the date fixed for the redemption, if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Securities, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Securities, **provided that** in the case of the People's Republic of China, such change or amendment has resulted in the rate of any withholding or deduction being in excess of 10 per cent.; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

((a) and (b) together, a "**Gross-Up Event**") **provided that** no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Securities then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by one authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders notwithstanding that such certificate may contain a monetary or other limitation or any exclusion of liability of the Issuer.

Upon the expiry of the Tax Redemption Notice, the Issuer will be bound to redeem the Securities at their principal amount together with all outstanding Arrears of Distribution and Additional Distribution Amounts (if any) and any Distribution accrued up to (but excluding) the date fixed for redemption.

7.4 Redemption for Accounting Reasons

If so specified in the applicable Pricing Supplement, the Issuer may at its option, at any time, on giving not less than 30 nor more than 60 days' notice (an "**Accounting Event Notice**") to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 13, the Securityholders (which notice shall be irrevocable) redeem, in whole but not in part, the Securities at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and Additional Distribution Amounts), if an Accounting Event has occurred and is continuing immediately prior to the giving of the Accounting Event Notice and the Issuer complies with the requirements under this Condition 7.4.

For the purposes of this Condition, an "**Accounting Event**" is deemed to have occurred if as a result of any changes or amendments to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time or any other generally accepted accounting standards that may be adopted by the Issuer for the purposes of preparing its financial statements, the Securities must not or must no longer be recorded as "equity" in the financial statements of the Issuer pursuant to those accounting standards.

No Accounting Event Notice shall be given at any time before 90 days before the amendment or change constituting an Accounting Event becoming effective in respect of the Issuer. Prior to the publication of any Accounting Event Notice pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by one authorised signatory of the Issuer stating that the Accounting Event has occurred and such event cannot be avoided by the Issuer taking reasonable measures available to it; and (b) an opinion, in form and substance satisfactory to the Trustee of the Issuer's independent auditors or auditors of a recognised accountancy firm of international standing to the effect that such Accounting Event has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

Upon the expiry of any such notice as is referred to in this Condition 7.4, the Issuer shall be bound to redeem the Securities on such date in accordance with this Condition 7.4, **provided that** such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as equity of the Issuer pursuant to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time or any other generally accepted accounting standards that may be adopted by the Issuer for the purposes of preparing its financial statements.

7.5 Redemption on the occurrence of a Breach of Covenant Event or a Relevant Indebtedness Default Event

If so specified in the applicable Pricing Supplement, the Issuer may at its option, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 13, the Securityholders (which notice shall be irrevocable), redeem, in whole but not in part, the Securities at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amounts), if a Breach of Covenant Event or a Relevant Indebtedness Default Event has occurred and is continuing.

Upon the expiry of any such notice as is referred to in this Condition 7.5, the Issuer shall be bound to redeem the Securities on such date in accordance with this Condition 7.5.

The Issuer shall give notice to Securityholders in accordance with Condition 13 and to the Trustee and Issuing and Paying Agent by not later than 30 days following the first day on which it becomes aware of the occurrence of a Breach of Covenant Event or a Relevant Indebtedness Default Event.

The Trustee shall not be required to take any steps to ascertain whether a Breach of Covenant Event or a Relevant Indebtedness Default Event or any event which could lead to the occurrence of a Breach of Covenant Event or a Relevant Indebtedness Default Event has occurred nor be liable to any person for any failure to do so.

7.6 Redemption in the case of Minimal Outstanding Amount

If so specified in the applicable Pricing Supplement, the Issuer may at its option, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 13, the Securityholders (which notice shall be irrevocable), redeem, in whole but not in part, the Securities at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amounts), **provided that** prior to the date of such notice at least 80 per cent. in principal amount of the Securities originally issued has already been redeemed or purchased and cancelled.

7.7 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Securities at any price in the open market or otherwise. Such Securities may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

7.8 Cancellation

All Securities which are redeemed will forthwith be cancelled or surrendered therewith at the time of redemption). All Securities so cancelled and the Securities purchased and cancelled pursuant to Condition 7.7 above shall be forwarded to the Issuing and Paying Agent and cannot be reissued or resold.

8. TAXATION

All payments of principal, premium and Distribution, Arrears of Distribution and Additional Distribution Amounts by or on behalf of the Issuer in respect of the Securities by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of a Tax Jurisdiction, unless the withholding or deduction of Taxes is required by law. In that event, the Issuer will pay such additional amounts ("**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the respective amounts of principal and Distribution, Arrears of Distribution and Additional Distribution Amounts which would otherwise have been receivable in respect of the Securities in the absence of the withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Security:

(a) presented for payment by or on behalf of a Holder who is liable for the Taxes in respect of such Security by reason of his having some connection with such Tax Jurisdiction other than the mere holding of such Security;

(b) presented for payment by or on behalf of a Holder who is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a Holder thereof would have been entitled to an Additional Amount on presenting the same for payment on the thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.4).

For the purposes of these Conditions:

(a) "**Tax Jurisdiction**" means Hong Kong and the People's Republic of China, or any political subdivision or any authority thereof or therein having power to tax; and

(b) "**Relevant Date**" means the date on which the payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee, the Issuing and Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Securityholders by the Issuer in accordance with Condition 13.

The Issuer or any of its agents making a payment on its behalf shall be permitted to withhold or deduct from any payment of principal or Distribution any amounts (i) required by the rules of U.S. Internal Revenue Code of 1986 (the "**Code**") Sections 1471 through 1474 (or any amended or successor provisions), any regulations or agreements thereunder, any official interpretation thereof, or (without prejudice to the provisions of this Condition 8) any law implementing an inter-governmental approach thereto, (ii) pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or (iii) pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"), as a result of a Holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive such payment free of FATCA withholding. The Issuer and its agents will have no liability for or have any obligation to pay Additional Amounts in respect of any such FATCA withholding deducted or withheld by the Issuer, any of its agents or any other party.

References in these Conditions to principal, Distribution, premium, Arrears of Distribution and/or Additional Distribution Amounts shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Securities Trust Deed.

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

9. PRESCRIPTION

The Securities will become void unless presented for payment within a period of five years after the Relevant Date (as defined in Condition 8) therefor.

10. NON-PAYMENT

10.1 Non-Payment when due

Notwithstanding any of the provisions below in this Condition 10, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution pursuant to Condition 5.5.

In addition, nothing in this Condition 10, including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee, the Agents or any of their respective directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer, as the case may be, in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Securities Trust Deed, the Agency Agreement or the Securities.

10.2 Proceedings for Winding-Up

If (i) there is a Winding-Up of the Issuer or (ii) the Issuer shall not make payment in respect of the Securities for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities Trust Deed and the Securities and the Trustee may subject to the provisions of Condition 10.4, institute proceedings for the Winding-Up of the Issuer and/or prove in the Winding-Up of the Issuer and/or claim in the liquidation of the Issuer for the principal amount of the Securities and any Distribution accrued but unpaid, together with all outstanding Arrears of Distribution and Additional Distribution Amounts.

10.3 Enforcement

Without prejudice to Condition 10.2 but subject to the provisions of Condition 10.4, the Trustee may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Securities Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Securities Trust Deed, including, without limitation, payment of any principal or premium or satisfaction of any Distribution (including any Arrears of Distribution and any Additional Distribution Amounts) in respect of the Securities, including any damages awarded for breach of any obligations) but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

Nothing in this Condition 10.3 shall, however, prevent the Trustee from instituting proceedings for the Winding-Up of the Issuer, proving in any Winding-Up of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Securities or the Securities Trust Deed (including any damages awarded for breach of any obligations).

10.4 Entitlement of Trustee

The Trustee shall not be obliged to take any of the actions referred to in Condition 10.2 or 10.3 against the Issuer to enforce the terms of the Securities Trust Deed or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least 25 per cent. in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction and **provided that** the Trustee shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Securityholders.

10.5 Right of Holders

No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

10.6 Extent of Holders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities or under the Securities Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or under the Securities Trust Deed, as the case may be.

11. REPLACEMENT OF SECURITIES

Should any Security be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that**:

(a) there will at all times be a Paying Agent and a Registrar, including a U.S. Paying Agent or a U.S. Registrar (as applicable);

(b) so long as the Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Registrar and Transfer Agent (or a U.S. Registrar and U.S. Transfer Agent, as the case may be) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) so long as any of the Global Certificates denominated in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be a U.S. Exchange Agent.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Securityholders in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Securityholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13. NOTICES

All notices regarding the Securities will be deemed to be validly given if published in a leading daily newspaper of general circulation in Hong Kong. It is expected that any such publication in a newspaper will be made in the South China Morning Post in Hong Kong. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Securities are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Securities in definitive form will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the Holders (or the first named of joint Holders) at their respective addresses recorded in the Register and will be deemed to have been given on the day after mailing and (b) if and for so long as any Securities in definitive form are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Notices to be given by any Securityholder shall be in writing and given by lodging the same, together (in the case of any Security in definitive form) with the relevant Security or Securities, with the Registrar.

14. MEETINGS OF SECURITYHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Securities Trust Deed contains provisions for convening meetings (including in physical or virtual form) of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Securities or the provisions of the Securities Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Holders holding not less than ten per cent, in nominal amount of the Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Securities for the time being outstanding or, at any adjourned such meeting, one or more persons being or representing Holders whatever the nominal amount of the Securities so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the circumstances in which the Securities may be redeemed or the circumstances in which Distribution (including any Arrears of Distribution or Additional Distribution Amounts) are payable in respect of the Securities, (ii) to vary the method of calculating the Distribution Rate or reducing the Distribution Rate, (iii) to reduce or cancel the amount of principal, premium, Distribution (including any Arrears of Distribution or Additional Distribution Amounts) payable in respect of the Securities (other than as provided under these Conditions), (iv) to change the currency of payment of the Securities, or (v) to modify the provisions concerning the quorum required at any meeting of the Holders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution is one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-quarter, in nominal amount of the Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting. The Securities Trust Deed provides that (i) a written resolution signed by or on behalf of the Holders of not less than 90 per cent. of the nominal amount of Securities for the time being outstanding or (ii) approval of such resolution proposed by the Issuer or the Trustee (as the case may be) given by way of Electronic Consents (as defined in the Securities Trust Deed) by or on behalf of the holders of 90 per cent. in nominal amount of the Securities for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

15. MODIFICATION, WAIVER AND SUBSTITUTION OR VARIATION

15.1 Modification and Waiver

The Trustee and the Issuer may agree, without the consent of the Securityholders, to:

(a) any modification (except such modification in respect of which an increased quorum is required as mentioned above) of the Securities, the Agency Agreement or the Securities Trust Deed which in the Trustee's opinion is not materially prejudicial to the interests of the Securityholders; or

(b) any modification of the Securities, the Agency Agreement or the Securities Trust Deed which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any applicable law.

The Trustee may agree, at the direction of the Securityholder through an Extraordinary Resolution (as defined in the Securities Trust Deed), to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Securities or the Securities Trust Deed, or determine, without any such consent as aforesaid, that any Breach of Covenant Event, Relevant Indebtedness Default Event or Enforcement Event (as defined in the Securities Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Securityholders so to do or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any applicable law. Any such modification shall be binding on the Securityholders and any such modification shall be notified to the Securityholders in accordance with Condition 13 as soon as practicable thereafter.

15.2 Substitution or Variation

If a Special Event has occurred and is continuing, then the Issuer may, at its option, subject to Condition 5 (without any requirement for the consent or approval of the Holders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to in this Condition 15.2 that the provisions of this Condition 15.2 have been complied with, and having given not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 13, the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 15.2 and subject to the receipt by it of the certificate of an Authorised Signatory of the Issuer referred to in the definition of Qualifying Securities) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 15.2.

In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amounts) shall be satisfied in full in accordance with the provisions of Condition 5.5.6.

In connection with any substitution or variation in accordance with this Condition 15.2, the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions of this Condition 15.2 shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

The Trustee shall not be obliged to agree to any substitution or variation under this Condition 15.2 if such substitution or variation shall have the effect of exposing the Trustee to liability or increasing or amending any obligation or duty of the Trustee or reducing or amending any of the Trustee's rights, powers or protections.

15.3 Interests of Holders

In connection with the exercise of its functions, rights, powers and discretions including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Securityholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Holders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Securityholders be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Securityholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Securities Trust Deed.

The Trustee may, at the direction of the Securityholders through an Extraordinary Resolution, agree with the Issuer, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Securities and the Securities Trust Deed of another company, being a Subsidiary of the Issuer, subject to (a) the Securities being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Securityholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Securities Trust Deed being complied with.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Securities Trust Deed contains provisions for the indemnification of and/or provision of security to the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

The Securities Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

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

17. FURTHER ISSUES

The Issuer shall be at liberty, from time to time, without the consent of the Securityholders to create and issue further securities having terms and conditions the same as the Securities (or the same in all respects save for the amount and date of the first payment of interest thereon) and so that such further issue shall be consolidated and form a single Series with the outstanding Securities. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single Series with the Securities.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Security under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Securities Trust Deed, the Agency Agreement and the Securities 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, except that, in respect of the Subordinated Perpetual Securities only, the subordination provisions applicable to the Issuer set out in Condition 3.2 (*Status of Subordinated Perpetual Securities*) and Condition 3.3 (*Ranking of claims in respect of Subordinated Perpetual Securities*) and Clauses 2.2 and 2.3 of the Securities Trust Deed shall be governed by, and construed in accordance with, Hong Kong law.

19.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Trustee, the Agents and the Securityholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Securities Trust Deed, the Agency Agreement and/or the Securities and accordingly submit to the exclusive jurisdiction of the English courts (including a dispute relating to any non-contractual obligations arising out of or in connection with the Securities) and that accordingly any suit, action or proceedings (together referred to as Proceedings) arising out of or in connection with the Securities (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Securities) may be brought in such courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum and further agrees that a final judgment in any Proceedings brought in the English courts shall be conclusive and binding upon it.

The Trustee, the Agents and the Securityholders may take any Proceedings against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at 8th Floor, 100 Bishopsgate, London, EC2N 4AG as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings and notify the Trustee, the Agents and the Securityholders of such appointment. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

20. DEFINITIONS

In these Conditions, the following expressions shall have the following meanings:

"**Additional Business Centre**" means a city specified as such in the applicable Pricing Supplement;

"**Additional Financial Centre**" means a city specified as such in the applicable Pricing Supplement;

"**Benchmark Rate**" means (a) in the case of Securities denominated in U.S. dollars, the Comparable Treasury Rate; and (b) in the case of Securities denominated in any currency other than U.S. dollars, the benchmark rate as specified in the applicable Pricing Supplement;

"**Breach of Covenant Event**" means the occurrence of (a) a non-compliance and/or non-performance by the Issuer of any one or more or its obligations and covenants set out in Condition 4 and (b) the Trustee or the Holders holding 25 per cent. or more in aggregate principal amount of the Securities outstanding gives notice in writing to the Issuer that the Distribution Rate will be adjusted in accordance with Condition 5.3 unless the Securities are redeemed in accordance with Condition 7.5;

"**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong and any Additional Business Centre specified in the applicable Pricing Supplement; and

(b) either (i) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Hong Kong and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the TARGET2 System) is open or (iii) in relation to any sum payable in CNY, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong;

"**Business Day Convention**" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day;

"**Calculation Agent**" means the person named as such in the applicable Pricing Supplement, and includes its successor or other calculation agent appointed under the Agency Agreement;

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

"**Calculation Date**" means, for the purpose of calculating, the Relevant Reset Distribution Rate, the commencement date of the relevant Reset Distribution Period;

"**Comparable Period**" means the period specified as such in the applicable Pricing Supplement;

"**Comparable Treasury Issue**" means, in relation to calculating the Relevant Reset Distribution Rate, the US Treasury security selected by the Independent Investment Bank as having a maturity of Comparable Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of Comparable Period;

"**Comparable Treasury Price**" means, with respect to any redemption date:

(a) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for US Government Securities"; or

(b) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations;

"**Comparable Treasury Rate**" means the rate notified by the Calculation Agent to the Issuer and the Securityholders (in accordance with Condition 13) in per cent. per annum equal to the yield, under the heading that represents the average for the week immediately prior to the relevant Calculation Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, the Comparable Treasury Rate means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated by an Independent Investment Bank and notified to the Calculation Agent using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. The Comparable Treasury Rate will be calculated on the second Business Day preceding the relevant Calculation Date;

"**Day Count Fraction**" in respect of the calculation of an amount of Distribution in accordance with Condition 5.4:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:

  (a) in the case of Securities where the number of days in the relevant period from (and including) the most recent Distribution Payment Date (or, if none, the Distribution Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods that would occur in one calendar year; or

  (b) in the case of Securities where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

    (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

    (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Distribution Payment Date (or, if none, the Distribution Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(c) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365;

"**Determination Date**" means the day and month (but not the year) on which any Distribution Payment Date falls;

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date;

"**Distribution Commencement Date**" means, in respect of any Security, the date specified in the applicable Pricing Supplement from (and including) which such Security bears distribution, which may or may not be the Issue Date of such Security;

"**Distribution Compliance Period**" has the meaning given to it in Regulation S;

"**Distribution Payment Date**" means the First Distribution Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the applicable Pricing Supplement;

"**First Call Date**" means the date specified as such in the applicable Pricing Supplement;

"**First Distribution Payment Date**" means date specified in the applicable Pricing Supplement;

"**First Reset Date**" means the date specified as such in the applicable Pricing Supplement;

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected by the Issuer and approved in writing by the Trustee;

"**Initial Distribution Rate**" means the rate specified as such in the applicable Pricing Supplement;

"**Initial Spread**" means the rate specified as such in the applicable Pricing Supplement;

"**Institutional Accredited Investor**" means accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions;

"**Junior Securities**"

(a) with respect to any Subordinated Perpetual Securities, Condition 3.3, the restrictions set out in Condition 5.5.5(B) and Subordinated Perpetual Securities Compulsory Distribution Payment Event, means, (x) any class of the Issuer's share capital (including preference shares); (y) any instrument or security issued by the Issuer which ranks, or is expressed to rank, by its terms or by operation of law, junior to the Issuer's obligations under the Subordinated Perpetual Securities; and (z) any security for which the Issuer has guaranteed or otherwise assumed liability where the Issuer's obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank junior to the Issuer's obligations under the Subordinated Perpetual Securities, which, in the case of (y) and (z) and for the avoidance of doubt, shall not include any indebtedness under any syndicated or bilateral loan facility or any trade finance or any promissory note arranged or granted by a bank or other financial institution or any guarantee or indemnity in respect of such indebtedness (including any drawing down of any existing credit line or facility of the Issuer); and

(b) with respect to any Senior Perpetual Securities, the restrictions set out in Condition 5.5.5(A) and Senior Perpetual Securities Compulsory Distribution Payment Event, means, (x) any class of the Issuer's share capital (including preference shares); (y) any instrument or security issued by the Issuer which ranks, or is expressed to rank, by its terms or by operation of law, junior to the Issuer's obligations under the Senior Perpetual Securities (including any Subordinated Perpetual Securities); and (z) any security for which the Issuer has guaranteed or otherwise assumed liability where the Issuer's obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank junior to the Issuer's obligations under the Senior Perpetual Securities, which, in the case of (y) and (z) and for the avoidance of doubt, shall not include any indebtedness under any syndicated or bilateral loan facility or any trade finance or any promissory note arranged or granted by a bank or other financial institution or any guarantee or indemnity in respect of such indebtedness (including any drawing down of any existing credit line or facility of the Issuer);

"**Legended Securities**" means Securities in definitive form that are issued to Institutional Accredited Investors and Securities (whether in definitive form or represented by a Global Certificate) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a Legend);

"**Maximum Distribution Rate**" means:

(a) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, the First Reset Date, the Initial Distribution Rate plus Step-Up Rate; and

(b) in respect of the period (A) from, and including the First Reset Date, to, but excluding, the Reset Date falling immediately after the First Reset Date, and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate plus Step-Up Rate;

"**NDRC**" means the National Development and Reform Commission of the People's Republic of China or its local counterparts;

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

"**Parity Securities**"

(a) with respect to any Subordinated Perpetual Securities, Conditions 3.2 and 3.3, the restrictions set out in Condition 5.5.5(B) and Subordinated Perpetual Securities Compulsory Distribution Payment Event, means, (x) any instrument or security issued or guaranteed by the Issuer which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Subordinated Perpetual Securities and (y) (save as otherwise provided in the applicable Pricing Supplement) any Subordinated Indebtedness issued or guaranteed by the Issuer, in each case of (x) and (y) shall not include any indebtedness under any syndicated or bilateral loan facility or any trade finance or any promissory note arranged or granted by a bank or other financial institution or any guarantee or indemnity in respect of such indebtedness (including any drawing down of any existing credit line or facility of the Issuer)); and

(b) with respect to any Senior Perpetual Securities, the restrictions set out in Condition 5.5.5(A) and Senior Perpetual Securities Compulsory Distribution Payment Event, means, any instrument or security (which for the avoidance of doubt shall not include any indebtedness under any syndicated or bilateral loan facility or any trade finance or any promissory note arranged or granted by a bank or other financial institution or any guarantee or indemnity in respect of such indebtedness (including any drawing down of any existing credit line or facility of the Issuer)) issued or guaranteed by the Issuer which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Senior Perpetual Securities;

"**Principal Subsidiary**" means any Subsidiary of the Issuer:

(a) whose gross revenues (consolidated in the case of a Subsidiary which has Subsidiaries) attributable to the Issuer, as shown by its latest audited statement of comprehensive income are at least 10 per cent. of the consolidated gross revenues as shown by the latest published audited statement of comprehensive income of the Issuer and its consolidated Subsidiaries; or

(b) whose profits before taxation and exceptional items (pre-tax profit) (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, as shown by its latest audited statement of comprehensive income, are at least 10 per cent. of the consolidated pre-tax profit as shown by the latest published audited consolidated statement of comprehensive income of the Issuer and its consolidated Subsidiaries, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share or profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(c) whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, as shown by its latest audited balance sheet, are at least 10 per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests;

provided that, in relation to paragraphs (a), (b) and (c) above:

(i) 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 relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer 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 and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, gross income, pre-tax profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its 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 for the purposes of preparing a certificate thereon to the Trustee; and

(iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, 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, or

(d) 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 shall become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, **provided that** the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary unless such Subsidiary which so transfers its assets would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a), (b) or (c) above.

A certificate prepared by an Authorised Signatory of the Issuer whether or not addressed to the Trustee, that in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties, notwithstanding that such certificate may contain a monetary or other limitation or an exclusion of liability of the Issuer;

"**QIB**" means a qualified institutional buyer within the meaning of Rule 144A;

"**Qualifying Securities**" means, in respect of a Series, securities that:

(a) have terms not materially less favourable to an investor than the terms of the Securities of the relevant Series (**provided that** certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of (i) one authorised signatory of the Issuer and (ii) an Independent Investment Bank, shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities upon which certificates the Trustee shall rely absolutely), **provided that** (i) they are issued by the Issuer or any wholly-owned direct or indirect finance Subsidiary of the Issuer and (ii) they shall rank *pari passu* on a Winding-Up with the Securities of the relevant Series and shall contain terms which provide at least for the same Distribution Rate from time to time applying to the Securities of the relevant Series and otherwise have substantially identical terms (as reasonably determined by the Trustee) to the Securities of the relevant Series save where any modifications to such terms are required to be made to avoid the occurrence of a Gross-Up Event or, as the case may be, an Accounting Event; and

(b) are listed on The Stock Exchange of Hong Kong Limited or such other stock exchange of international standing;

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary US Government securities dealer in The City of New York, selected by the Issuer in good faith;

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Independent Investment Bank, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Bank by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date;

"**Register**" means the register of Holders which the Issuer shall procure to be kept by the Registrar; Regulation S means Regulation S under the Securities Act;

"**Regulation S Global Certificate**" means a Global Certificate representing Securities sold outside the United States in reliance on Regulation S;

"**Relevant Compulsory Distribution Payment Event**" means:

(a) in respect of Senior Perpetual Securities, the Senior Perpetual Securities Compulsory Distribution Payment Event; and

(b) in respect of Subordinated Perpetual Securities, the Subordinated Perpetual Securities Compulsory Distribution Payment Event;

"**Relevant Date**" has the meaning ascribed to it in Condition 8; Relevant Indebtedness has the meaning ascribed to it in Condition 4;

"**Relevant Indebtedness Default Event**" means the occurrence of one or more of the following events (and such event is continuing): (i) any other present or future Relevant Indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual default or potential default, event of default or the like (howsoever described), other than at the option of the Issuer or such Principal Subsidiary or any person entitled to such Relevant Indebtedness (for the avoidance of doubt, excluding any person to which such Relevant Indebtedness is owed), (ii) any such Relevant Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any such Relevant Indebtedness, **provided that** the aggregate amount of the Relevant Indebtedness, guarantees and indemnities of which one or more of the events mentioned above in this definition have occurred equals or exceeds U.S.$60,000,000 (or its equivalent in any other currency or currencies);

"**Relevant Reset Distribution Rate**" means the Benchmark Rate with respect to the relevant Reset Date plus the Initial Spread plus the Step-Up Rate;

"**Reset Date**" means the First Reset Date and each day as specified in the applicable Pricing Supplement after the First Reset Date;

"**Reset Distribution Period**" means the period beginning on and including the First Reset Date and ending on but excluding the following Reset Date and each successive period beginning on and including a Reset Date and ending on but excluding the next succeeding Reset Date;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Securities Act**" means the United States Securities Act of 1933, as amended;

"**Senior Perpetual Securities Compulsory Distribution Payment Event**" means circumstances in which during the three-month period ending on the day before the relevant Distribution Payment Date either or both of the following have occurred:

(a) a discretionary dividend, discretionary distribution or other discretionary payment has been paid or declared by the Issuer on or in respect of any of its Junior Securities or Parity Securities (except (i) in relation to its Parity Securities, on a pro rata basis with the Senior Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); or

(b) the Issuer has at its discretion repurchased, redeemed, reduced, cancelled, bought-back or otherwise acquired for any consideration any of its Junior Securities or Parity Securities prior to its stated maturity (except (i) in relation to its Parity Securities, on a pro rata basis with the Senior Perpetual Securities, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities);

"**Subordinated Indebtedness**" means the Relevant Indebtedness which, in the event of the Winding-Up of the issuer or the guarantor thereof, ranks or is expressed to rank, by its terms or by operation of law, in right of payment immediately junior to the claims of unsecured and unsubordinated creditors of such issuer or guarantor;

"**Subordinated Perpetual Securities Compulsory Distribution Payment Event**" means circumstances in which during the three-month period ending on the day before the relevant Distribution Payment Date either or both of the following have occurred:

(a) a discretionary dividend, discretionary distribution or other discretionary payment has been paid or declared by the Issuer on or in respect of any of its Junior Securities or Parity Securities (except (i) in relation to its Parity Securities, on a *pro rata* basis with the Subordinated Perpetual Securities, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants); or

(b) the Issuer has at its discretion repurchased, redeemed, reduced, cancelled, bought-back or otherwise acquired for any consideration any of its Junior Securities or Parity Securities prior to its stated maturity (except (i) in relation to its Parity Securities, on a *pro rata* basis with the Subordinated Perpetual Securities, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of its Parity Securities for its Junior Securities);

"**Special Event**" means a Gross-Up Event, an Accounting Event or any combination of the foregoing;

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

"**Step-up Rate**" means the rate specified as such in the applicable Pricing Supplement;

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer;

"**Tranche**" means all Securities which are identical in all respects (including as to listing); and

"**Winding-Up**" means a final and effective court order or effective resolution for the winding up, liquidation or similar proceedings in respect of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer, of a successor in business, or, as the case may be, the terms of which reorganisation, reconstruction, amalgamation or substitution have been previously approved by an Extraordinary Resolution (as defined in the Securities Trust Deed)).

FORM OF THE INSTRUMENTS

The Notes may, subject to all applicable legal and regulatory requirements, be issued in series comprising either Notes in bearer form ("**Bearer Notes**") or Notes in registered form ("**Registered Notes**"), as specified in the relevant Pricing Supplement. The Securities shall be issued in registered form.

BEARER NOTES

Each series of Notes initially issued in bearer form will be issued either as a Temporary Global Note (the "**Temporary Global Note**"), without receipts, coupons and talons attached, or as a Permanent Global Note (the "**Permanent Global Note**"), without receipts, coupons or talons attached, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be delivered on or prior to the original issue date of the relevant series of the Notes to a common depositary for Euroclear and/or Clearstream and/or a sub-custodian for the Hong Kong Monetary Authority ("**HKMA**"), as operator of the Central Moneymarkets Unit Service (the "**CMU**"), and/or any other relevant clearing system on or about the original issue date of the relevant series.

The relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or substantially similar rules to be issued under Section 4701 of the United States Internal Revenue Code of 1986, as amended (the "**Code**")) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or substantially similar rules to be issued under Section 4701 of the Code) (the "**TEFRA D Rules**") are applicable in relation to the Notes.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being represented by a "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without receipts, coupons or talons attached, not earlier than 40 days after the original issue date of the relevant series of the Notes upon certification as to non-U.S. beneficial ownership.

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

- presentation and (in the case of final exchange) surrender of the Temporary Global Note at the specified office of the Issuing and Paying Agent or the CMU Lodging and Paying Agent, as the case may be; and

- receipt by the Issuing and Paying Agent or the CMU Lodging and Paying Agent, as the case may be, of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream and/or the CMU and/or any other relevant clearing system,

within seven days of the bearer requesting such exchange. In the case of the CMU, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue 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 provided certification of non-U.S. beneficial ownership.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the aggregate initial principal amount of the Temporary Global Note and any Temporary Global Note representing a fungible series of Notes with the series of Notes represented by the first Temporary Global Note.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being a "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the original issue date of the relevant series of Notes.

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

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with receipts, coupons and talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note so exchanged to the bearer of the Temporary Global Note against the presentation (and, in the case of final exchange, surrender) of the Temporary Global Note at the specified office of the Issuing and Paying Agent or the CMU Lodging and Paying Agent, as the case may be, within 30 days of the bearer requesting such exchange but not earlier than 40 days after the original issue date of such Notes.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being a "Permanent Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that TEFRA does not apply, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if Euroclear or Clearstream or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with receipts, coupons and talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the specified office of the Issuing and Paying Agent or the CMU Lodging and Paying Agent, as the case may be, within 30 days of the bearer requesting such exchange but not earlier than 40 days after the original issue date of such Notes.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denominations(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant date of exchange, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

Conditions applicable to the Notes

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

The Conditions applicable to any Global Note will differ from those Conditions which would apply to the Definitive Note to the extent described under "*Form of the Instruments – Provisions relating to the Instruments while in Global Form*".

Legend concerning United States persons

Global Notes and Definitive Notes having a maturity of more than one year and any receipts, coupons and talons appertaining thereto will bear a legend to the following effect, unless the relevant Pricing Supplement specifies that the TEFRA C Rules are applicable or that TEFRA does not apply:

"*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code*."

The sections referred to in such legend provide that a U.S. person who holds a Note, receipt, coupon or talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, receipt, coupon or talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Payments in respect of Global Notes

No payments will be made under a Temporary Global Note unless exchange for interests in the applicable Permanent Global Note is improperly withheld or refused. In addition, payments of interest in respect of the Notes cannot be collected without certification of non-U.S. beneficial ownership.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

In respect of a Global Note or Global Certificate representing Notes 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 the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "Clearing System Business Day" means a day on which the CMU is operating and open for business.

REGISTERED INSTRUMENTS

The Instruments of each series sold in reliance on Regulation S under the Securities Act, as specified in the relevant Pricing Supplement, will be represented on issue by one or more global certificates of such series in fully registered form without interest coupons or distribution coupons (in the case of the Securities) or principal receipts attached (each an "**Unrestricted Global Certificate**"), which will be deposited with a common depositary for Euroclear and Clearstream or the CMU. Beneficial interests in an Unrestricted Global Certificate may be held only through Euroclear or Clearstream or the CMU or their participants at any time. See "*Book-Entry Clearance Procedures*".

The Instruments of each series sold in reliance on Rule 144A under the Securities Act, as specified in the relevant Pricing Supplement, will be represented on issue by one or more permanent global certificates of such series, in fully registered form without interest coupons or principal receipts attached (each a "**Restricted Global Certificate**"), which will be deposited with a common depositary for Euroclear and Clearstream (each a "**Restricted EC Global Certificate**") and/or will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC (each a "**Restricted DTC Global Certificate**"). Beneficial interests in a Restricted Global Certificate may only be held through Euroclear, Clearstream (in the case of Restricted EC Global Certificates) or DTC (in the case of Restricted DTC Global Certificates) or their participants at any time. See "*Book-Entry Clearance Procedures*". Beneficial interests in a Restricted Global Certificate may only be held by persons who are QIBs, holding their interests for their own account or for the account of one or more QIBs. By acquisition of a beneficial interest in a Restricted Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Certificate.

The Unrestricted Global Certificates and the Restricted Global Certificates are referred to herein as "**Global Certificates**". Beneficial interests in Global Certificates will be subject to certain restrictions on transfer set out herein, in the relevant Pricing Supplement and in the Agency Agreement, and such Global Certificates will bear the applicable legends regarding the restrictions set out in the relevant Pricing Supplement. Unless otherwise provided in the relevant Pricing Supplement, no beneficial interest in an Unrestricted Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Certificate unless (i) a corresponding Restricted Global Certificate is also issued in respect of such series of Instruments (as stated in the relevant Pricing Supplement), (ii) the transfer is to a person that is a QIB, (iii) such transfer is made in reliance on Rule 144A, and (iv) the transferor provides the Registrar with a written certification substantially in the form set out in the Notes Trust Deed or, as the case may be, the Securities Trust Deed. Unless otherwise provided in the relevant Pricing Supplement, no beneficial interest in the Restricted Global Certificates may be transferred to a person who takes delivery in the form of a beneficial interest in an Unrestricted Global Certificate unless a corresponding Unrestricted Global Certificate is also issued in respect of such series of Instruments (as stated in the relevant Pricing Supplement), and in such case only if the transfer is to a person who is neither a U.S. person nor a U.S. resident, and is conducted in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification substantially in the form set out in the Notes Trust Deed or, as the case may be, the Securities Trust Deed.

Any beneficial interest in an Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, which is possible only if a corresponding Restricted Global Certificate is also issued in respect of such series of Instruments (as stated in the relevant Pricing Supplement) and subject to the limitation stated in the paragraph above, will, upon transfer, cease to be an interest in such Unrestricted Global Certificate and become an interest in the Restricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Restricted Global Certificate for as long as it remains such an interest. Any beneficial interest in a Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate, which is possible only if a corresponding Unrestricted Global Certificate is also issued in respect of such series of Instruments (as stated in the relevant Pricing Supplement) and subject to the limitation stated in the paragraph above, will, upon transfer, cease to be an interest in a Restricted Global Certificate and become an interest in the Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in an Unrestricted Global Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Instruments, but the Registrar or Transfer Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in Global Certificates will not be entitled to receive physical delivery of certificated Instruments.

EXCHANGE FOR DEFINITIVE CERTIFICATES

Each Restricted Global Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for certificates in Definitive Certificate form and each Unrestricted Global Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date, in whole but not in part, for Definitive Certificates in fully registered form ("**Definitive Certificates**"):

- if a Global Certificate is held (directly or indirectly) on behalf of Euroclear and/or Clearstream, the CMU or an alternative clearing system (other than DTC) 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 that it is to permanently cease business or does in fact do so; or

- if a Global Certificate is held on behalf of DTC and DTC notifies the Issuer that it is no longer willing to properly discharge its responsibilities as depositary with respect to the relevant Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

- any of the circumstances described in Notes Condition 10 (Events of Default) or Securities Condition 10 (Non-Payment) occurs.

The Registrar will not register the transfer of, or exchange of interests in, a Global Certificate for Definitive Certificates for a period of 15 calendar days ending on the date for any payment of principal, or interest or distribution (as the case may be) in respect of the relevant series of Instruments.

If only one of the Global Certificates (the "**Exchanged Global Certificate**") becomes exchangeable for Definitive Certificates in accordance with the above paragraphs, transfers of Instruments may not take place between, on the one hand, persons holding Definitive Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

"**Individual Exchange Date**" means a day falling not less than 30 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 Registrar and any Transfer Agent is located.

In such circumstances, the relevant Global Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders or Securityholders (as the case may be). A person having an interest in a Global Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates and (b) in the case of the Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB. Definitive Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A.

LEGENDS AND TRANSFERS

The holder of a Definitive Certificate may transfer the Instruments represented thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Definitive Certificate bearing the legend referred to under "*Transfer Restrictions*" or upon specific request for removal of the legend on a Definitive Certificate, the Issuer will deliver only Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Definitive Certificates for each series of Notes for the Restricted Notes and each series of Securities for the Securities will bear the same legend as the legend for the Restricted Global Certificates for such series set out under "*Transfer Restrictions*". The Definitive Certificates of any Restricted Notes may not at any time be held by or on behalf of U.S. persons or U.S. residents that are not QIBs. Definitive Certificates for each series of Notes for the Unrestricted Notes are for each series of Securities for the Unrestricted Securities will bear the same legend as the legend for the Unrestricted Global Certificates for such series set out under "*Transfer Restrictions*".

PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

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

- *Meetings*: The holder of a Global Note or Global Certificate shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders or Securityholders and, at any such meeting, the holder of a Global Note or Global Certificate shall be treated as having one vote in respect of each minimum denomination of Notes for which such Global Note or Global Certificate may be exchanged.

- *Cancellation*: Cancellation of any Note or Security represented by a Global Note or Global Certificate that is required by the Notes Conditions or, as the case may be, the Securities Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Note or Global Certificate.

- *Notices*: So long as any Instrument are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear, Clearstream and/or DTC, there may be substituted for publication as provided in the Notes Conditions or, as the case may be, the Securities Conditions, the delivery of the relevant notice to Euroclear, Clearstream and/or DTC for communication by them to the holders of the Instruments; or (ii) the CMU, notices to the holders of Instruments of that series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Notes Conditions or the Securities Conditions (as applicable) or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the holders of the Instruments on the day on which such notice is delivered to the CMU, in addition, in the case of both (i) and (ii) above, for so long as any Instrument are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in a place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Instruments on the second business day after the day on which the said notice was given to Euroclear, Clearstream, DTC and/or the persons shown in the relevant CMU Issue Position Report.

USE OF PROCEEDS

The net proceeds of any Instruments issued under the Programme shall be used for the Issuer's working capital and general corporate purposes. Subject to all necessary approvals having been obtained from the relevant PRC government authorities, the proceeds may also be on-lent to the subsidiaries of the Issuer in the PRC by way of intercompany loan.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the consolidated capitalisation of the Group as derived from the Issuer's consolidated financial statements. It should be read in conjunction with the consolidated financial statements of the Group and the notes thereto included in this Offering Circular.

	As at 31 December 2021	
	(RMB'000)	*(USD'000)*
Interest-bearing bank and other borrowings		
– Current	122,694,483	19,253,442
– Non-current	104,185,173	16,348,927
– Convertible bonds-host debts	3,321,086	521,151
Total borrowings	230,200,742	36,123,520
Equity		
Equity attributable to ordinary shareholders of the parent		
– Share capital	13,042,863	2,046,710
– Equity component of convertible bonds	233,750	36,680
– Reserves	28,245,937	4,432,404
	41,522,550	6,515,794
Holders of perpetual securities	7,514,376	1,179,170
Non-controlling interests	4,017,184	630,384
Total equity	53,054,110	8,325,348
Total capitalisation[(1)]	283,254,852	44,448,867

(1) The capitalisation represents the sum of total equity and total borrowings.

Save as indicated in this Offering Circular, there has been no material change in the capitalisation of the Group since 31 December 2021.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is one of China's leading innovative financial service companies, specialised in providing (i) customised financing solutions, through equipment-based financial leasing, and (ii) extended value-added services to customers in targeted major industries in China. International Far Eastern Financial Leasing Co., Ltd. ("**Far Eastern**"), the Group's major operating subsidiary for its leasing business, has 29 years of operating history since its establishment. Other principal operating subsidiaries include Far East Horizon (Tianjin) Financial Leasing Co., Ltd. ("**Far East Tianjin**"), Far East Horizon Financial Leasing Co., Ltd. ("**Far East Financial**") and Shanghai Horizon Construction Development Co., Ltd. ("**Shanghai Horizon Construction Development**"). In 2000, Sinochem Group and its subsidiaries acquired control of the Group, and in 2001, the Group's operating centre was relocated from Shenyang to Shanghai to establish its market position and enhance its business contacts within China's financial, trade and transportation hub.

The Group's current business mainly concentrates in the following nine major industries:

- Healthcare – this industry business segment mainly provides financial leasing, advisory and trading services for public and private hospitals throughout China. This business segment ceases to provide services to pharmaceutical manufacturing enterprises and medical equipment manufacturing enterprises when compared to 2018.

- Culture & tourism – this industry business segment mainly focuses on educational institutions and cultural venues. The leased educational equipment mainly comprises information technology equipment, laboratory equipment and practical training equipment. Riding on industry knowledge and close relationship with the clients, the Group extends its service to advisory services (e.g. working capital and cash flow management consulting) as well as management consulting services (e.g. national policy analysis).

- Engineering construction – this industry business segment mainly provides infrastructure construction equipment financial leasing services to mid-to-high-end construction companies within China. In light of China's rapidly developing urbanisation and increasing demand for the construction of basic infrastructure, the Group extended its services to three major sectors of the construction industry, namely construction, construction materials, electric power production and supply.

- Machinery – this industry business segment mainly provides machinery equipment financial leasing services for manufacturing companies in China with a primary focus on automobile parts producers, with the aim of achieving sustainable growth and technology enhancement in the Chinese manufacturing industry.

- Chemical & medicine – this industry business segment mainly offers equipment financial leasing services for various chemical industries in China, primarily focusing on chemical companies and pharmaceutical manufacturing.

- Electronic information – this industry business segment mainly includes the segment sectors of the electronic information manufacturing, information technology application and information transportation and services.

- Livelihood & consumption – this industry business segment involves the segment sectors of manufacturing, packaging, food, textile and light industry and commercial and retail industries.

- Transportation & logistics – this industry business segment mainly includes the segment sectors of the transportation infrastructure, transportation services, transportation extension services, materials and trading, farming, forestry, animal husbandry and fishery and green ecology industries.

- Urban public utility – this industry business segment mainly includes the segment sectors of urban infrastructure construction, urban operation and municipal services.

Based on its operational philosophy and development strategy of "finance + industry", the Group endeavours to realise its vision of "integrating global resources and promoting China's industries" by innovating its products and services to provide its customers with tailor-made integrated operations services. For more than a decade, the Group has been leading the development of the industries in which it has been actively participating in. In 2016, the Group was listed on the China Fortune 500. In 2017, the Group became one of the Forbes Global 2000 and was included in FTSE4Good Index. Over the past 10 years, the Group has been leading the development of the PRC leasing industry, and has been listed among the Fortune China 500 and Forbes Global 2000. The FTSE4Good Index Series is an index designed to measure the performance of companies demonstrating strong environmental, social and governance practices. The Group's inclusion into the China Fortune 500, the Forbes Global 2000 and FTSE4Good Index Series indicates that the scale of the Group's business has officially entered the ranks of important companies in the world, and the business model and operating results have been widely recognised in the global market. In 2019, the Group received the honourable title of "4A-grade Social Organisation" and received, for the fifth consecutive year, the full score under the CFC Foundation Transparency Index, ranking first in China. These awards and honours show not only the Group's excellent performance in the financing services industry, but also its social responsibility awareness.

The Group's typical leasing business model provides its customers with a commercial arrangement whereby: (i) its customer, as the lessee, will select an asset (such as equipment); (ii) the Group, as lessor, will then purchase that asset; (iii) the lessee will have use of that asset for the duration of the lease; (iv) the lessee will make a series of rental payments for the use of that asset; (v) the Group will recover a majority or the entire cost of the asset and earn interest from the rental payments made by the lessee; and (vi) the lessee has the option to acquire ownership of the asset from the Group upon expiry of the lease term.

By leveraging its understanding of the customers' specific needs in each target industry, the Group also provides extended value-added services primarily comprising advisory, engineering, trading and brokerage services to its customers. This has enabled the Group to develop a distinctive business model through which it provides an integrated range of tailor-made financial services, develops deeper customer relationships, enhances the effectiveness of its risk management systems, and leverages its accumulated industry and management expertise to expand into other target industries in China with promising growth potential.

The following sets out an overview of the growth of the Group's focus on target industries:

- Between 2011 and 2012, the Group further expanded its business operations into the textile (now part of the Group's livelihood & consumption industry business segment) and electronic information industries (having first consolidated and incorporated the electronic information business in the earlier machinery business into other industries), increasing its focus from six business segments to eight.

- In 2013, the Group resolved to build up a whole-packaging industry chain to expand the scope of its printing business and enhance its operating capabilities by renaming the printing sector as the packaging sector. Further, in order to get involved in areas of railway transportation, pipeline transportation and smart logistics, the Group also renamed its shipping sector as the transportation sector in the same year.

- In 2015, the Group established a new business segment, namely the urban public utility business segment, which focuses on providing a wide range of financial products and professional consulting services to China's urban utilities industry, increasing its portfolio of focused business segments from eight to nine. In the same year, amidst slow macroeconomic growth, intensified competition in the financial market and downturn of industries, the Group continued to integrate its finance business and industrial operation business, and focused on healthcare, infrastructure construction and education business sectors, and maintained stable business growth.

- In 2018, under the operational philosophy of "finance + industry", the Group continued to implement the principle of healthy operations, strengthened its strategic guidance, focused on reducing operational risks and improved asset security. The Group also reconfigured its industries focus from nine to seven, being healthcare, education, infrastructure construction, industry and machinery, livelihood & consumption, transportation & logistics and urban public utility.

- In 2019, in order to adapt to the external environment, especially for the continuously changing industry and to optimise its organisational structure, the Group reconfigured the original seven industry layout into nine industries to cover healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility.

In terms of healthcare services, the Group's expanding and leading hospital operational and management business covers, as at 31 December 2021, 29 controlled hospitals with approximately 11,000 actual available beds, forming a national hospital operation network in regions including East China, Southern China, Northern China, Southwest China and Northeast China. The Group has developed strong industry expertise in the healthcare industry and is able to customise its services and enhance its sales and marketing capabilities primarily through: (i) establishing a dedicated sales team comprising former healthcare industry professionals which have been honed within the context of the healthcare industry; (ii) establishing its business network which is in close proximity to its customers' operations throughout China; (iii) maintaining close and regular contact with its customers by organising industry exhibitions and forums, and participating in industry specific associations to gain market information on the latest market trends within the healthcare industry; (iv) leveraging its established relationships with sales agents of healthcare equipment in order to source suitable healthcare equipment to better serve its customers and enhance its competitiveness; and (v) forming its operating pattern integrated by finance, hospital, management and engineering through continuously improving its professionalism in those aspects.

In terms of culture & tourism services, the Group has focused on high-end early childhood education and international high school education. The Group has been actively exploring opportunities to establish a high-end education institute network in major cities in the PRC. As at 31 December 2021, the Group operated seven kindergartens and three non-compulsory schools. Due to the tightening of education industry policies, the Group, at this time, has no plan to acquire or open new schools and kindergartens, however, it does plan to make extensions on original sites, improve the quality of education and fineness of operation management, adhere to the idea of exquisite schools, and continue to work hard for the private and boutique education system with high reputation brand, strong service capability and the most distinctive characteristics. The Group intends to adjust its development strategy according to changes in external educational policies, refining its services, improving the quality of its teaching, thereby providing students with a good study environment based on the "school + ground" concept and striving to become a boutique private education provider that is well known for its good reputation, strong service capabilities and distinguishing traits.

In terms of engineering construction services, the Group relies on more than 12 years of experience, with a focus on infrastructure investment. The Group continues to explore integrated operation services such as equipment operation, engineering services and Public-Private-Partnership (PPP), in order to improve the service system for the Group's investments, financing, construction and operations. The Group has followed the trend of new industry development and has implemented a series of measures, such as adjustment of asset structures, enhancement of customer structures, expansion of business sites and development of comprehensive businesses. In 2021, the Group maintained its leading position in the PRC in terms of asset scale for high-altitude vehicles, turnover materials and new formworks. The Group continuously enhances operating network density and accelerates operating network expansion to realise coverage and in-depth expansion to major cities in China. As at 31 December 2021, the Group had 299 service outlets across 182 cities. At the same time, the Group also actively explored the overseas market, and gradually established overseas operations. As at 31 December 2021, the Group operated in six countries and regions. In addition, Horizon Construction Development also developed and facilitated the online marketing channels such as "Far East e Market" and "Horizon Equipment high-altitude vehicles", thus realising one-stop service for equipment leasing and trading.

In terms of urban public utility services, the Group established its urban public utility business unit in 2015. Through this sector, the Group aims to seize the opportunities arising from the development of China's urban public utilities by providing a wide range of financial products and professional consulting services to three main urban public utility industries, namely urban infrastructure construction, urban operation and municipal services. The Group has established extensive cooperative relations with domestic and overseas renowned manufacturers, agencies, associations, research institutions, government authorities and other business partners and built a nationwide service network with a mature business process management system. The business scope of this business sector mainly comprises: (i) financing services, including providing financing for equipment purchase, sale-leaseback of current assets, operating lease, factoring and commercial paper financing; (ii) capital services, including making equity investments as strategic investor, acting as financial adviser in mergers and acquisitions and providing consulting services; and (iii) industrial services, including investing in PPP projects, cooperating with government authorities on industrial investment funds and providing value-added services.

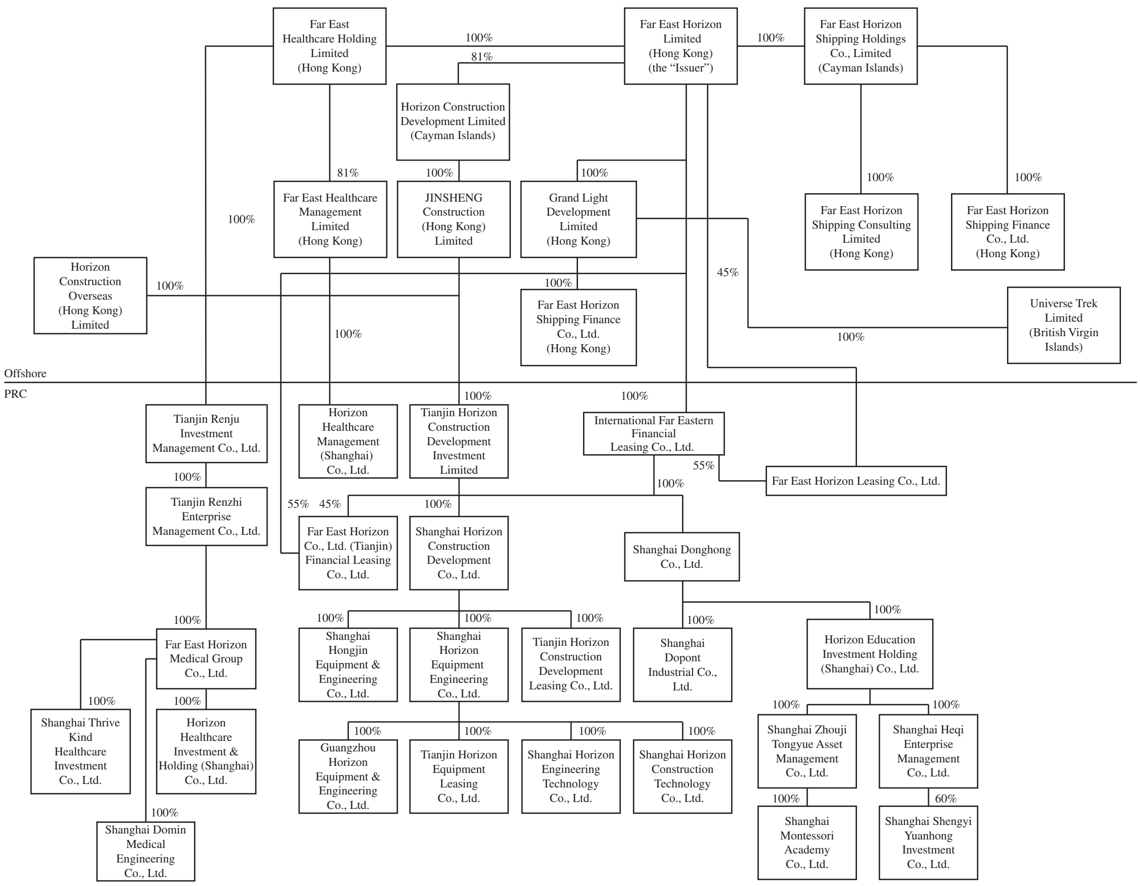
As at 31 December 2021, the Group's total interest-earning assets increased to approximately RMB258.4 billion from RMB235.4 billion as at 31 December 2020, representing an increase by 9.8 per cent., mainly due to: (i) the Group's business expansion and in-depth exploration of industries in engineering construction, machinery, chemical & medicine, livelihood & consumption, transportation & logistics and urban public utility, expanding the customer base in the above industries and increasing the introduction of high-quality customers in the above industries; (ii) the Group's adaptation to the changes in the macro economy and the trend of the industrial environment and adjustments to the layout of key industries; and (iii) the Group's continuous maintenance of quality industries and customers and exploration of their needs for financial service. For the years ended 31 December 2019, 2020 and 2021, the Group's consolidated revenue was approximately RMB26,856.5 million, RMB29,041.8 million and RMB33,643.9 million, respectively, and its net lease receivables as at 31 December 2019, 2020 and 2021 were RMB186,868.9 million, RMB208,625.2 million and RMB222,543.5 million, respectively. For the year ended 31 December 2021, the Group's net profit attributable to shareholders of ordinary shares amounted to RMB5.5 billion, representing a year-on-year increase of approximately 20.5 per cent. As at 31 December 2021, the non-performing asset ratio was 1.06 per cent., while the ratio of overdue interest-bearing assets past 30 days was approximately 0.94 per cent.

GROUP HISTORY AND STRUCTURE

The Issuer is a company listed on the HKSE. It is also the ultimate holding company of the Group's principal operating subsidiaries, Far Eastern, Far East Tianjin, Far East Financial and Shanghai Horizon Construction Development.

Far Eastern, one of the Group's principal operating subsidiaries, was established in 1991 as an equity joint venture enterprise in Shenyang, China. The registered office of Far Eastern was relocated to Shanghai in 2001, which was an important step in the commencement of the Group's strategy to focus on China's major industries with sustainable growth potential through its operations in the healthcare industry. In the following few years, the Group gradually entered into the other key industries. In 2008, the Issuer was incorporated in Hong Kong. In 2009, three strategic investors, KKR Future Investment (an affiliate of KKR Asian Fund L.P.), Techlink (an affiliate of Government of Singapore Investment Corporation (Ventures) Pte. Ltd.) and Target Magic Limited (an affiliate of CICC fund) became shareholders of the Issuer. In 2006, the Group established Shanghai Donghong, through which it conducts its trading business. In 2009, FEH Shipping (formerly named Sino Advance Limited) was established for the development of the offshore ship leasing and ship brokerage business of the Group. On 30 March 2011, the Issuer became listed on the HKSE. In July 2011, Shanghai Horizon Equipment Engineering Co., Ltd. was established in the PRC to carry on the business of operating lease of construction machinery and related equipment. In December 2013, Far East Tianjin was established in the PRC to focus on the provision of financial services. The company mainly caters to the needs of clients in North China, and with finance leasing as its core business, it helps clients solve financial and capital problems that they encounter during the development process. In January 2017, Far East Financial was established in the PRC to provide financial services to clients in East China. In 2014, the Group actively integrated its internal resources and incorporated Horizon Construction Development as a comprehensive equipment service provider in the construction sector in China, mainly engaged in the lease of equipment and engineering construction in the fields of industrial equipment, turnover materials, pavement equipment and electric power equipment. As at 31 December 2021, the market capitalisation of the Issuer was HK$29.85 billion.

The following sets out the Group's simplified corporate structure as at 31 December 2021:



BUSINESS SEGMENTS

The Group categorises its business operations into two major business segments: (i) financial and advisory segment; and (ii) industrial operation segment. The Group's financial and advisory segment relates to the provision of financial leasing services and advisory services. Its industrial and operation segment primarily relates to the provision of trading and brokerage services. The following table sets forth the contribution (before business taxes and surcharges) of each of: (i) financial services (interest income); (ii) advisory services (fee income); and (iii) industrial operation to the total revenue of the Group (before business taxes and surcharges) for the years indicated:

	Year ended 31 December					
	2019		2020		2021	
	RMB'000	*per cent*	*RMB'000*	*per cent*	*RMB'000*	*per cent*
Financial and advisory segment						
Financial services (interest income)	15,841,562	58.8	16,521,643	56.6	19,168,370	56.7
Advisory services (fee income)	4,573,954	17.0	3,836,492	13.2	3,178,894	9.4
Industrial operation segment						
Industrial operation	6,521,280	24.2	8,811,129	30.2	11,434,721	33.9
Total	26,936,796	100.0	29,169,264	100.0	33,781,985	100.0

Financial and Advisory Segment

Financial Leasing and Factoring

Financial leasing is the principal business activity of the Group. It primarily provides two types of equipment-based leasing services: (i) direct financial leasing and (ii) sale-leaseback. The Group's leasing operations cover primarily its nine focused industries, namely the healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility industries.

As at 31 December 2021, a majority of the Group's lease contracts signed in 2021 were priced at a fixed interest rate, while approximately ten of the Group's lease contracts signed in 2021 were priced at a floating interest rate, which floats at a pre-set margin above a base interest rate, thereby allowing it to transfer the impact of interest rate fluctuations to its customers to a significant extent. For the floating mechanism, the base interest rate references the PBOC benchmark interest rates, and the pre-set margin is a commercial term in the lease contract which the Group negotiates on a case-by-case basis with the individual customer based on its industry. In this case, the interest rates it charges its customers are re-adjusted periodically at every payment date, if necessary. For these reasons, the interest rates that are charged on the Group's lease contracts vary depending on its commercial arrangements with the individual customers based on the relevant industry, and it does not set a defined range for interest rates charged to its leasing customers.

There are no regulatory restrictions relating to the maximum or minimum interest rates charged by the Group to its customers of lease contracts under the relevant PRC laws and regulations. The Group understands that its practice of adjusting the interest rates which it charges to customers, with reference to the PBOC benchmark interest rates, fully complied with the relevant PRC laws and regulations as at 31 December 2021. The revenue generated from the Group's financial business (before business taxes and surcharges) amounted to RMB15,841.6 million, RMB16,521.6 million and RMB19,168.4 million for the years ended 31 December 2019, 2020 and 2021, respectively, representing approximately 58.8 per cent., 56.6 per cent. and 56.7 per cent. of the Group's total revenue, respectively.

The SAOT promulgated the *Notice of the State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* (《國家稅務總局關於融資租賃業務徵收流轉稅問題的通知》) on 7 July 2000. According to this notice, the financial leasing business conducted by entities approved by the PBOC shall be levied business tax according to the *Provisional Regulations of the People's Republic of China on Business Tax* (《中華人民共和國營業稅暫行條例》), which was abolished on 19 November 2017, and no value-added tax ("**VAT**") shall be levied, whether or not the ownership of the leased goods has been transferred to the lessee. For the same business conducted by other entities, VAT, rather than business tax, shall be levied if the ownership of the leased goods has been transferred to the lessee, while business tax rather than VAT shall be levied if the ownership of the leased goods has not been transferred to the lessee. The SAOT promulgated the *Supplemental Notice of the State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* (《國家稅務總局關於融資租賃業務徵收流轉稅問題的補充通知》) on 15 November 2000, which stipulates that the *Notice of the State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business* shall be applicable to the financial leasing business conducted by foreign-invested enterprises and foreign enterprises approved by Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部, the predecessor of MOFCOM).

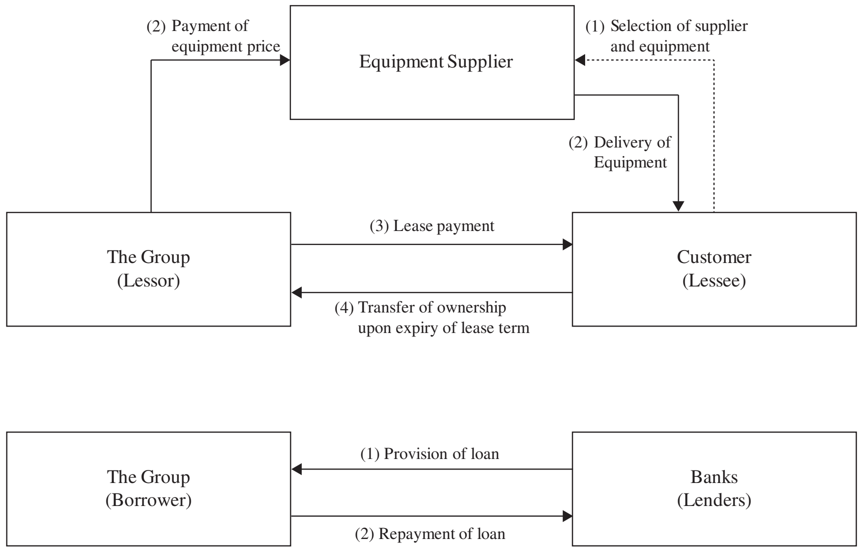
On 16 November 2011, the Ministry of Finance and the SAOT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Carrying out the Pilot Practice of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries in Shanghai* (《財政部國家稅務總局關於在上海市開展交通運輸業和部份現代服務業營業稅改徵增值稅試點的通知》), which became effective on 1 January 2012 and was discontinued on 1 August 2013. According to this notice, Shanghai is the pilot city approved by the State Council for levying VAT in lieu of business tax on the transportation industry and some modern service industries. This notice stipulates that all entities and individuals providing services in the transportation industry and some modern service industries (including tangible movables leasing) (hereinafter referred to as "**taxable**

services”) within the territory of the PRC are VAT taxpayers and shall pay VAT and shall no longer pay the business tax, and the tax rate shall be 17 per cent. for the tangible movables leasing service. This notice indicates that for financial leasing services of tangible movables provided by general taxpayers among the pilot taxpayers who engage in financial leasing business upon approval by the PBOC, CBIRC and the MOFCOM, the policy on VAT refund upon collection shall be applicable to the part in excess of 3 per cent. of their actual burden of VAT. On 24 May 2013, the Ministry of Finance and the SAOT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Carrying out the Pilot Practice of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries Nationwide* (《財政部國家稅務總局關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知》), which became effective on 1 August 2013 and was discontinued on 1 January 2014. This notice expands the pilot practice of levying value-added tax in lieu of business tax on the transportation industry and some modern service industries from the pilot provinces and cities to a nationwide scope and adopts substantially the same policies as those adopted in the *Notice of the Ministry of Finance and the State Administration of Taxation on Carrying out the Pilot Practice of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries in Shanghai* (《財政部國家稅務總局關於在上海市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知》). The *Notice of the Ministry of Finance and the State Administration of Taxation on Including Railway Transport and Postal Services under the Pilot Program of Replacing Business Tax with Value-Added Tax* (《財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》(including its attachments)), which became effective on 1 January 2014 and was discontinued on 1 May 2016, stipulates that the policy that VAT refund upon collection shall be applicable to the portion in excess of 3 per cent. of the actual burden of VAT for taxpayers who provide financial leasing services of tangible movables until 31 December 2015. On 23 March 2016, the Ministry of Finance and the SAOT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax* (《財政部國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which became effective on 1 May 2016 and further amended on 11 July 2017 and 1 April 2019. This notice stipulates that for financial leasing services of tangible movables provided by general taxpayers among the pilot taxpayers who engage in financial leasing business upon approval by the PBOC, CBIRC and the MOFCOM, the policy on VAT refund upon collection shall be applicable to the part in excess of 3 per cent. of their actual burden of VAT. As a financial leasing company engaging in tangible movables, Far Eastern shall be governed by these notices.

(A) Direct Financial Leasing

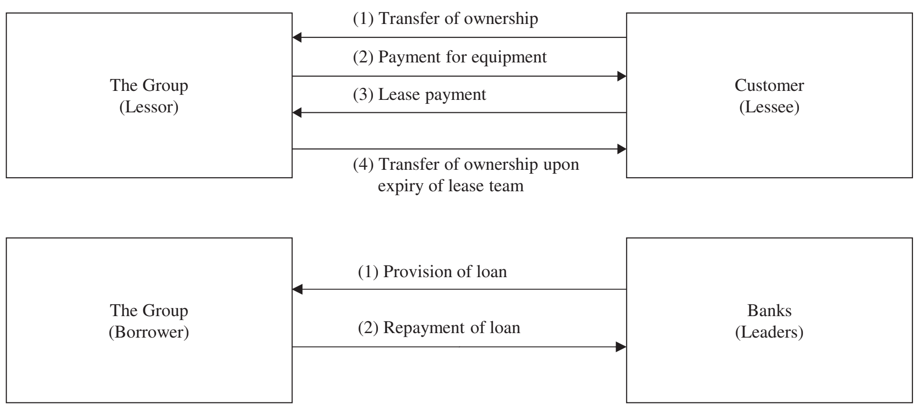
A direct financial lease is typically for one specific user, with financial terms designed to recoup most, if not all, of the initial cost of the asset being leased during the initial contractual lease term. Around 41.5 per cent. of all of the lease contracts of the Group have quarterly payment dates, while the remaining have monthly payment dates. A typical direct financial lease cannot be terminated without the Group’s consent during its term and typically ranges from three to five years. Upon expiry of the lease term, the Group usually provides the lessee with an option to purchase the asset underlying the lease at a nominal value so as to incentivise the lessee to purchase such asset.

A typical direct financial leasing transaction usually involves three parties, namely the lessor, the lessee and the equipment supplier. The relationships among the three parties are illustrated in the following diagram. The Group funds its financial leasing transactions as a whole primarily through bank loans.



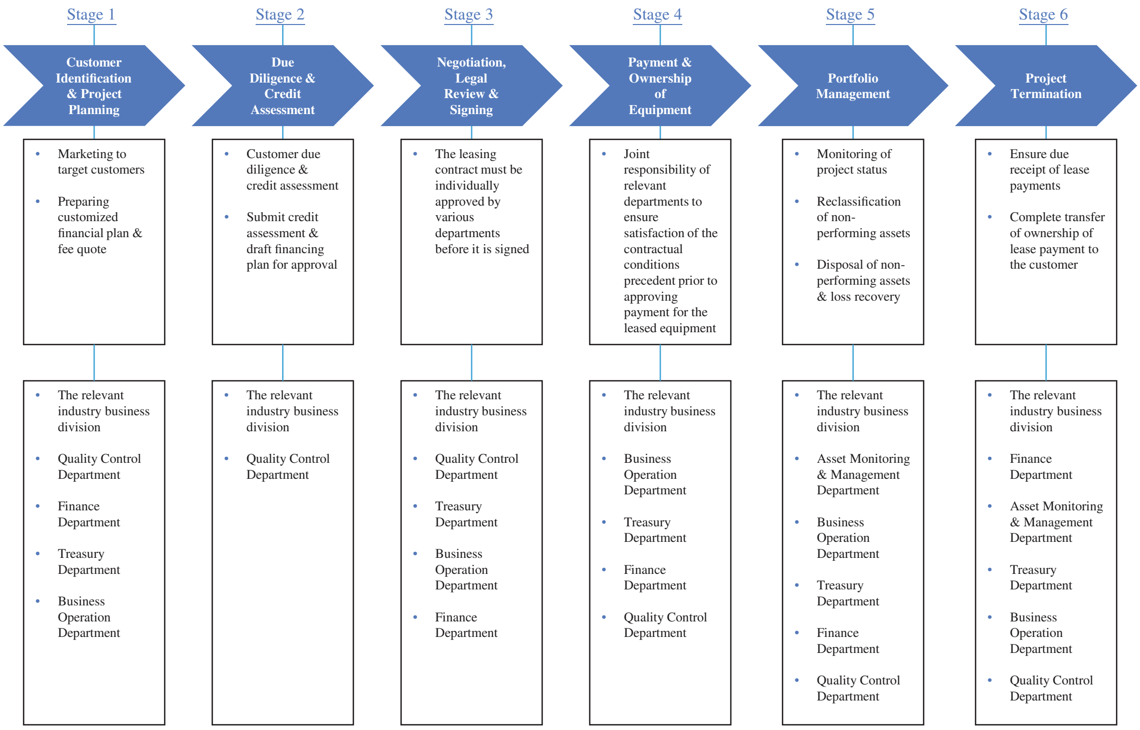
(B) ***Sale-leaseback***

Sale-leaseback is a form of financial leasing where the lessor purchases the asset from the lessee who originally owned such asset but subsequently sells it to the lessor to satisfy its financing needs. The lessee then leases the asset back from the lessor for a relatively long term, such that the lessee can continue to use the asset as a lessee (and not as an owner). The majority of the Group's lease contracts have quarterly payment dates, while a portion have monthly payment dates. A typical sale-leaseback contract cannot be terminated without the Group's consent during its term, and typically ranges from three to five years. Upon expiry of the lease term, the Group usually provides the lessee with an option to purchase the asset underlying the lease at a nominal value so as to incentivise the lessee to purchase such asset.



Financial Leasing Operational Workflow

The Group has designed a systematic operational workflow from Stage 1 to Stage 6, which applies to financial leasing projects in each of its target industries. Under this workflow, various risk control measures and procedures are consistently applied to every lease project, which involves the active participation of different departments in the Group. The chart below sets out the workflow process of the Group's leasing business operations:



Stage 1: Customer Identification and Project Planning

The Group commences a leasing project in Stage 1, during which target customers are carefully identified, appropriate projects are selected and tailored financing plans and price quotes are duly prepared. Each project is initiated by the relevant industry business division and reviewed and assisted by other relevant departments, such as the Finance Department, Business Operation Center and Treasury Department.

Stage 2: Customer Due Diligence and Credit Assessment

Once the customer identification and project planning process under Stage 1 has been completed, Stage 2 procedures are entered into where more detailed research into the background and creditworthiness of the customer is conducted. This stage is mainly driven by the relevant industry business division, which is in charge of preparing customer due diligence and credit assessment reports and the finalised financing plan to be approved by the Business Operation Center. Depending on the customer's creditworthiness, the Group will determine down payment amounts, risk mitigation measures and other key terms in Stage 2.

Stage 3: Negotiation, Legal Review and Signing

Upon obtaining approval from the Business Operation Center, the relevant industry business division takes the lead in participating in contract negotiations and reviewing legal documents (with the support of the Legal Centre of the Business Operation Center). The leasing contract must be individually approved by various departments before it is signed. The Finance Department also assists at Stage 3.

Stage 4: Payment and Ownership of Equipment

After the leasing contract is signed, the Business Operation Center, Treasury Department and Finance Department are jointly responsible for ensuring the satisfaction of the contractual conditions precedent prior to approving payment for the leased equipment, while the Business Operation Center is also in charge of monitoring logistics, insurance coverage, delivery of goods, equipment installation and inspection procedures during Stage 4. The relevant industry business division continues to assist at Stage 4.

Stage 5: Asset monitoring and management

The Group's Asset Monitoring and Management Department and the relevant industry business division is principally responsible for asset monitoring and management through timely collection of lease payments, monitoring of project status and preparation of regular project reports. When there are "negative signals" (such as missed lease payments which may lead to potential lease defaults), certain risk control procedures will be initiated to claim outstanding lease receivables in order to mitigate potential losses. The Asset Monitoring and Management Department will review the classification of non-performing assets and closely monitor the loss recovery procedures (including restructuring of lease receivables repayment terms or the repossession and subsequent disposal of the assets underlying the lease). The restructuring of repayment terms primarily comprises acceleration of lease receivables payments and the extension of the repayment term depending on the circumstances for each case. Under its financial leasing contracts, the Group is usually entitled to several remedies including, among other things, acceleration of lease receivables repayment when there is a default of the customer. It may decide whether to exercise this remedy by primarily considering: (i) the credit record of the customer; (ii) its relationship with the customer; (iii) the current status and the prospects of the customer's financial condition; and (iv) the difficulty of repossessing the assets underlying its leases and realising their value. Before the Group decides whether to grant a customer extension of a repayment term, it conducts stringent due diligence and determines whether an extension of the repayment term is the optimal option for mitigating risks according to the customer's credit record and financial condition. The term to be extended does not exceed half of the initial lease term and the total lease term after extension does not exceed five years. The Group usually does not extend the repayment term as this may increase its risk exposure. The Group's Treasury Department and Finance Department also actively assist in controlling the risk of overdue lease receivables and repayment difficulties. The Business Operation Center also helps manage the portfolio at this stage.

Stage 6: Project Termination

The lease project is terminated upon full performance of the leasing contract. During the termination procedure, the Finance Department is responsible for ensuring due receipt of lease payments and the timely despatch of lease receipts, while the Asset Monitoring and Management Department is in charge of completing the transfer of ownership of lease equipment to the Group's customer. The relevant industry business division, Treasury Department, Business Operation Department and Quality Control Department cooperate closely with the Finance Department and Asset Monitoring and Management Department for project termination.

In June 2012, Far Eastern obtained approval from MOFCOM to expand its scope of business to include commercial factoring.

Advisory Services

The Group's business is operated with an industry focus approach and its respective business departments are staffed with professional personnel who are organised around and focused on nine key target industries. The opportunity to provide financial leasing services to its prospective customers has enabled the Group to better understand their needs and the various types of customised value-added services that they may require. Accordingly, the Group also provides advisory services in addition to financial leasing in line with its strategy to provide its customers with an integrated range of services. The provision of advisory services is optional to the Group's leasing customers, who are free to decide whether or not to enter into an advisory contract with the Group. As at 31 December 2021, approximately 75.8 per cent. of the customers of the Group newly signed this year used both financial leasing services and the advisory services provided by the Group.

The Group believes that its business model allows it to generate fee income that is complementary to the financial leasing services provided to its financial leasing customers. The advisory services are normally provided in conjunction with the provision of its financial leasing services to the same customer. However, the level of advisory services required by such customers differs in accordance with their specific needs and sophistication, and hence the service component varies significantly from customer to customer and has to be specifically agreed with each customer. As such, the fees for the advisory service component are distinct from the financial leasing arrangements and are clearly set out in the advisory contracts with its customers which are separate from the financial leasing agreements.

Based on the specific needs and requirements of the Group's existing and prospective financial leasing customers from different industries, the Group has focused on the development of various value-added businesses such as its advisory services to better serve those customers. The Group constantly and closely interacts with its advisory customers to determine the service content and scope in order to provide optimal solutions in relation to financing options, cash management and operation of the leased assets appropriate for their businesses, which the Group believes are unique from its peers and competitors. The Group's comprehensive industry expertise accumulated through its provision of financial leasing services, advanced financial analysis and risk management capabilities, and its deep understanding of customers' specific needs, have enabled the Group to provide its customers with professional and customised advisory services, which has led to a significant contribution to the Group's revenue. For example, in the packaging industry, the Group assists customers in analysing competitive products by leveraging the market information that it has accumulated from its financial leasing business and formulating marketing plans accordingly. The Group provides advice as to how to manage inventory and optimise manufacturing processes. The Group also provides training to customers on how to manage their inventory stock, how to establish an operating centre for product material and how to utilise excess capacity. These advisory services primarily include the selection of equipment suppliers, advice in respect of various forms of financing, assisting customers with cash flow management and analysis, and the provision of financing solutions typical to the respective target industries. The fees that the Group charges for the provision of advisory services vary according to the actual services provided to individual customers in the respective target industries and are agreed with each customer on a case-by-case basis. The Group's fees are determined primarily based on: (i) the nature and estimated term of services; (ii) the importance of the advisory services to the customers; (iii) the Group's relationship with the customers; and (iv) the importance of the customers to the Group's overall business. Therefore, the Group does not have a fixed-fee rate for charging its customers in relation to the advisory services.

Revenue generated from the Group's advisory services (before business taxes and surcharges) amounted to RMB4,574.0 million, RMB3,836.5 million and RMB3,178.9 million for the years ended 31 December 2019, 2020 and 2021, respectively, representing approximately 17.0 per cent., 13.2 per cent. and 9.4 per cent. of its total revenue (before business taxes and surcharges), respectively.

Industrial Operation Segment

Along with the provision of leasing services to its customers, the Group has explored and identified business opportunities in other business segments in accordance with its customers' specific needs, such as trading and brokerage services, financial services, industrial investment and operation services, hospital operations, education institution operation, operational leasing, management consulting and construction services in multiple fields including healthcare, engineering construction, machinery, livelihood & consumption, transportation & logistics and urban public utility.

In terms of revenue, hospital operation and operating lease are the two most significant business segments of the Group's industrial operation segment. As at 31 December 2021, the number of hospitals controlled by the Group was 29, while the number of actual available beds amounted to approximately 11,000. For the years ended 31 December 2019, 2020 and 2021 the Group's revenue (before taxes and surcharges) from hospital operation was RMB2,912.5 million, RMB3,447.0 million and RMB4,003.1 million, respectively, representing 44.7 per cent., 39.1 per cent. and 35.0 per cent. of the Group's total revenue from the industrial operation segment, respectively.

By 2018, the Group's equipment operation business development had established a relatively optimised complete preliminary marketing system and the assets scale has joined the front ranks in sub-markets such as engineering equipment and scaffolds. For the years ended 31 December 2019, 2020 and 2021, the Group's revenue (before taxes and surcharges) from equipment operation was RMB2,622.4 million, RMB3,663.6 million and RMB6,141.2 million respectively, representing 40.2 per cent., 41.6 per cent. And 53.7 per cent. of the Group's total revenue from the industrial operation segment, respectively.

The Group believes that the provision of value-added services, in addition to its leasing business, will help enhance its competitive strength and customer loyalty, and diversify its operational risk. By matching up the organisational operation of financial resources with the discovery and cultivation of industrial resources, the Group creates an operational advantage with the characteristics of joint development finance and industry. The Group established Shanghai Donghong in 2006, through which it conducts its trading business. The Group engages in import and export trade and domestic trade of medical equipment and spare parts, paper, ink, cardboard and paper goods primarily within the healthcare and packaging industries, as well as trade agency services primarily within the machinery industry. The Group is able to leverage its established customer relationships and business contacts within target industries so as to procure collective sales and purchases of equipment, thereby achieving economies of scale and lowering transaction costs and expenses.

The Group also provides ship brokerage services in the form of broker sales and purchases of new and used vessels within the transportation industry. It acts as broker and liaises with vendors and purchasers within the transportation industry to match purchase orders and sales information. The Group usually charges approximately 1 per cent. of the transaction consideration as brokerage fee for the provision of its brokerage services. The target customers for its ship brokerage business are primarily small-to-medium sized enterprises seeking to acquire ships, and the large-scale ship manufacturers which are seeking to sell their ships to suitable purchasers.

The Group does not undertake material inventory risks in its industrial and operation segment. Its inventory stock within the trading business is derived primarily from the procurement of products required by its customers, such as the supply of paper products to printing companies. In respect of its ship brokerage business, the Group acts as an intermediary for the sale and purchase of vessels for a brokerage fee and does not undertake any inventory risks as its brokerage contracts do not require it to hold vessels as part of its inventory.

Revenue generated from the Group's industrial and operation segment (before business taxes and surcharges) amounted to RMB6,521.3 million, RMB8,811.1 million and RMB11,434.7 million for the years ended 31 December 2019, 2020 and 2021, respectively, representing approximately 24.2 per cent., 30.2 per cent. and 33.9 per cent. of its total revenue (before business taxes and surcharges), respectively.

THE GROUP'S TARGET INDUSTRIES

Prior to 2018, the Group had operated its business in nine focused industries which it believed to have sustainable growth potential, including healthcare, education, infrastructure construction, industry and machinery, packaging, transportation, electronic information, urban public utility and comprehensive development industries. The Group has accumulated years of industry expertise and has expanded its customer base in each of its target industries by organising and operating its financial leasing services, sales and marketing, and risk management systems through an industry-focused approach. In 2018, the Group adjusted its industry focus to include seven major industries, namely healthcare, education, infrastructure, construction, industry and machinery, livelihood & consumption and transportation & logistics and urban public utility.

In 2019, the Group reconfigured its industrial layout and the current business is mainly concentrated in following nine major industries: healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics and urban public utility. Through active adjustment, the Group has created a more industry-focused operational structure, and strengthened its risk identification capability.

The Group's industry selection process consists of six steps which take approximately one and a half years to two years: (i) firstly the Group conducts a search in the new industry assessing the feasibility of that new industry based on the Group's domestic and overseas industry experience; (ii) the Group then takes a preliminary industry test with a controlled volume; (iii) at the initial evaluation stage, the Group develops comprehensive business plans considering entry feasibility, growth potential, market capacity, capital needs, equipment, staff and other resources required for entry into such new industry; (iv) if the initial evaluation results of the new industry is positive, the Group tests the market extensively through conducting more comprehensive evaluations; (v) after the extensive market test, the Group finalises business plans and evaluation processes for the new industry; and (vi) the Group formally enters into the new target industry and scales up its operations in that industry appropriately.

Since the beginning of 2020, the sudden outbreak of the COVID-19 pandemic severely disrupted the normal order of production and life, leading to a period of economic shutdown with an effect exceeding all expectations in terms of both scope and degree. The COVID-19 outbreak poses potential risks to the Group's business operation and financial condition. The World Health Organisation has declared the COVID-19 outbreak a pandemic in March 2020. Under this backdrop, on the premise of ensuring the prevention and control of the pandemic, the Group committed to a phased resumption of work and production as early as possible in order to minimise losses. In addition, the Group continued to adhere to the development strategy of "finance + industry" and pushed forward measures for lean operation and management, as a response to the complex and ever-changing macro situation and the severe challenges.

For the various industry sectors the Group operates in, despite the supply chain disruption and short-term business suspension caused by measures such as regional isolation and travel restrictions, rapid growth was achieved in the areas relating to anti-epidemic materials, infrastructure, domestic substitutes and online consumption, driven by the demands in epidemic control, stable growth and industrial transformation and upgrading. The exports of anti-epidemic materials, such as face masks, protective suits and medical supplies, mitigated the influence from decrease in external demands. Special purposes machines, steel and construction industries benefitted from the successive commencement of major projects. The domestic substitution process in the electronics industry accelerated, and new infrastructure fields, such as 5G, created new momentum for economic development. In addition, the spread of the COVID-19 promoted changes in consumption habits, which led to growth in delivery logistics field to a certain extent. Demands for daily chemical products were steadily climbing with growing awareness of personal health. Meanwhile, automobile production and sales, affected by the global supply chain to a greater extent, continued to recover, domestic tourism was in a slow rebooting process, and the diagnosis and treatment procedure of medical institutions has gradually returned to normal.

The Group's Business in the Healthcare Industry

The healthcare industry was the first target industry which the Group entered into in 2001, and it remains the Group's largest target industry among the nine target industries in which it is currently primarily involved. As one of the first comprehensive finance industry service providers in China focusing on healthcare, the Group is committed to providing comprehensive financial solutions to its healthcare customers, namely public and private hospitals throughout China, comprising financial leasing, advisory and trading services.

The Group adhered to the medical philosophy of "providing inclusive, quality and warm medical services", focuses on areas with insufficient medical resources and is committed to providing comprehensive financial solutions to its healthcare customers, namely public and private hospitals throughout China, comprising financial leasing, advisory and trading services. Since 2014, the Group has continued to expand its healthcare industry network by continually investing in hospitals and other medical institutions:

- From the two hospitals it initially invested in 2014 to having gained control in 29 hospitals with approximately 11,000 actual available beds as at 31 December 2021.

- Hospitals included in the scope of consolidation upon the new delivery in 2020 include Pizhou Dongda Hospital. Meanwhile, taking into account the impact of external environment and actual operation conditions, the Group proactively transferred, disposed of and closed approximately 31 hospitals that the Group invested in, were under preparation for construction or to be delivered or in the early stage of operation.

- During the COVID-19 pandemic, the Group actively responded to the government's call and fulfilled its social mission of providing medical service and deployed a total of more than 30 medical personnel from its five hospitals to aid the epidemic area in Hubei, providing an effective supplement to the public healthcare system with strong professional capacity and accumulated rich experience.

- The hospitals form part of the Group's national hospitals operation network, covering East China, South China, North China, Southwest China and Northeast China. Through the vertical and horizontal linkage, the Group intends to explore the operating pattern of the administration offices, improve the operational efficiency of the subject units, and constantly improve the content of the business to establish a hospital group under the operation of "One system, One network, One hospital".

The Group's hospital has reached the area with the weakest resource with a broad and accessible service network, enabling more people to enjoy quality, warm and affordable medical services in their neighbourhood.

The Group was one of the leading market players in the year of 2021 in the for-profit healthcare industry based on market information and has developed strong industry expertise in the healthcare industry. The Group is able to customise its services and enhance its sales and marketing capabilities primarily through the following:

- establishing a dedicated sales team comprising former healthcare industry professionals which have been honed within the context of the healthcare industry;

- establishing its business network which is in close proximity to its customers' operations throughout China;

- maintaining of close and regular contact with its customers by organising industry exhibitions and forums, and participating in industry specific associations to gain market information on the latest market trends within the healthcare industry;

- leveraging its established relationships with sales agents of healthcare equipment in order to source suitable healthcare equipment to better serve its customers and enhance its competitiveness; and

- forming its operating pattern integrated by finance, hospital, management and engineering through continuously improving its professionalism in those aspects.

For its healthcare equipment financial leasing customers, the Group provides both direct financial leasing and sale-leaseback services. Direct financial leasing is adopted mainly to finance the purchase of new healthcare equipment. Sale-leasebacks are more frequently adopted by the Group's healthcare customers to satisfy their financing needs for the construction of basic hospital facilities. The leased equipment consists of a wide variety of healthcare equipment, such as tomography, magnetic resonance imaging, ultrasound imaging, life support machines and operating room disinfectant systems. Major and targeted customers of the Group in healthcare industry are mainly in industries including hospital, equipment agents and medical institutions.

According to the *Regulations on Supervision and Control of Medical Equipment* (《醫療器械監督管理條例》) ("**Regulations on Medical Equipment**") promulgated by the State Council and amended on 7 March 2014, 4 May 2017 and 9 February 2021 (which became effective on 1 June 2021), and the *Measures on the Supervision and Administration of the Business Operations of Medical Devices* (《醫療器械經營監督管理辦法》) promulgated by the State Food and Drug Administration ("**SFDA**") (國家食品藥品監督管理總局, which had been integrated into the SAMR in 2018 and no longer existed) on 30 July 2014 and amended on 17 November 2017, no approval or filing is required for establishment of a business operation in category one medical device; establishment of a business operation in category two medical device, except for the ones of which safety and effectiveness are not affected by the process of circulation, shall be filed for record with the drug regulatory bureaus in charge at the municipal level; and establishment of a business operation in category three medical device shall be registered for review and approval with the drug regulatory bureaus in charge at the municipal level. SFDA promulgated the *Official Replies to Relevant Issues about Medical Equipment Leasing* (《關於租賃醫療器械有關問題的批覆》) and *Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing* (《關於融資租賃醫療器械監管問題的答覆意見》) on 15 April 2004 and 1 June 2005, respectively. On 22 May 2018, the National Health Commission and the National Medical Products Administration (國家藥品監督管理局) promulgated the *Measures on Administration of the Configuration and Use of Large Medical Equipment (For Trial Implementation)* (《大型醫用設備配置與使用管理辦法(試行)》), which implemented hierarchical and classified planning and licence management for large medical equipment according to the catalogue approved by the State Council. Accordingly, medical equipment financial leasing conducted by financial leasing companies shall be categorised as business dealings in medical equipment and a licence for business dealings in medical equipment shall be obtained in accordance with the Regulations on Medical Equipment. Far Eastern, Shanghai Donghong and Shanghai Domin have all been issued with licences for business dealings in certain categories of medical equipment.

Along with its in-depth understanding of the healthcare industry and continuing penetration into the healthcare market during its operating history, the Group has extended its services to include diversified, value-added services, such as advisory and trading services. In addition to a trading services business, the Group also provides various advisory services which include:

- industry analysis, including analysis of policies and development strategies in healthcare industries by cooperating with universities and research institutions;

- equipment operation analysis, including advisory services in relation to selection, instalment and operation of equipment;

- management consulting, including providing customers with research reports, management training and business development strategies based on the competition in the local market;

- financial consulting services, including providing management staff of healthcare institutions with financial management plans and training, plus innovative financing plans, optimal finance planning analysis, cost cutting and applying for governmental subsidies for fixed-asset investment;

- internal management optimisation, including proposals for business and management process optimisation; and

- fixed-asset investment analysis, including comprehensive fixed-asset investment strategies, feasibility studies of investment plans, information regarding market prices, management of investment projects and providing financing support for the investment.

The Group also intends to develop its engineering services capability in connection with the engineering, construction and management of healthcare infrastructure facilities in the future so as to enhance and further develop its vertical integration within the healthcare leasing industry.

The Group's Business in the Culture & Tourism Industry

The Group's business in the culture & tourism industry includes the education business. As one of the first comprehensive financial service organisations engaged in fields of education, science and technology, culture & tourism and sports in China, the Group has long been providing solutions in terms of investment and financing and consulting for multiple education, science, culture & tourism and sports organisations in China. Under the strategy of "finance + industry" of the Issuer, the Group has actively developed the K12 educational field covering kindergartens and non-compulsory schools, as well as developing culture & tourism and sport industry operation businesses.

The Group commenced its operations in the educational equipment financial leasing business in 2002. It provides financial leasing services and advisory services for diverse types of educational institutions within China, such as colleges, universities, high schools and professional educational institutions. The Group believes that it commands the dominant market share within China's universities and colleges, and has achieved strong-growth momentum over recent years. There has been significant breakthrough in the education industry business segment of the Group, with profound strategic implications for further improvement of the Group's operating capability in this business segment:

- In 2015, the Group completed the acquisition of a Confucius International School and three Montessori International Kindergartens.

- In 2016, the Group entered into agreements in respect of 12 new quality kindergarten sites in Shanghai, Hangzhou, Xiamen, Wuhan and Chongqing.

- In 2017, the Group entered into agreements in respect of three new quality kindergarten sites, one new school site and opened three kindergartens.

- In 2018, the Group entered into agreements in respect of three kindergarten sites; there are also six newly opened kindergartens and one school site in Shanghai and Qingdao. As at the end of 2018, the Group operated 13 quality kindergartens and three schools with nearly 1,800 students, representing an increase of approximately 65.1 per cent. as compared to the previous year, with one kindergarten pending for acquisition.

- In 2019, there were two newly opened kindergartens, together with three schools and 13 kindergartens that had been operating in previous years.

- As at 31 December 2021, the Group had seven kindergartens and three non-compulsory schools, and steadily promoted the layout of high-end K12 education at home and abroad. By adhering to the principle of "people orientation, fusion of Chinese and western education and training elites", the Group continued to deepen and improve the level of teachers, curriculum system, campus facilities and operation flow management of kindergartens and schools within the Group, so as to cultivate outstanding students with social contribution, scientific innovation and international competitiveness.

Educational institutions are geographically dispersed across China. In order to identify and reach its potential customers in the education industry, the Group has established a strong sales and marketing team which is effective in promoting its products and services to educational institutions through various sales and marketing activities and the establishment of education professional alliances and forums to further penetrate the education market and further deepen the Group's industry expertise and customer relationships.

The leased educational equipment mainly comprises information technology equipment, laboratory equipment and practical training equipment. Based on its deep understanding of the specific needs of educational institutions and its close relationship with customers, the Group has extended its services to include value-added services such as: (i) financial advisory services, including working capital and cash flow management consulting based on an analysis of a customer's financial statements and operational status as well as financing policy training for education institutions; and (ii) management consulting services which include national policy analysis and consulting on the structure of an internal financial system.

As customers of the Group in the education industry are generally high-quality customers with stable cash flow, they represent high-asset quality and are able to make timely and regular lease payments. Their payments schedules are also customised to appropriately match their fund allocation capabilities. The Group maintains a low-risk profile within the education industry. Major customers of the Group's education industry mainly come from industries including colleges, high schools, universities, vocational education institutions, cultural venues and sports and recreation.

The customers of the Group in the tourism industry are mainly high-level domestic customers, such as tourism investment groups established by provincial and municipal governments, and these groups generally operate physical facilities, such as natural scenic spots, cultural scenic spots, and high-end hotels, generating a strong driving force for social-economic development for the local communities. The Group benefits from its large-scale asset investment, stable cash flow, and strong financing and repayment ability.

The Group's Business in the Engineering Construction Industry

The Group entered the engineering construction industry in 2004 primarily to provide infrastructure construction equipment financial leasing services to mid-to-high-end construction companies within China. In light of China's rapidly developing urbanisation and increasing demand for the construction of basic infrastructure, the Group extended its services to three major sectors of the construction industry, namely construction, construction materials, electric power production and supply. The Group systematically promoted its operating leasing business for the infrastructure construction and has become a leading industrial enterprise in the market segments of road equipment, industrial equipment and mould bases. In 2015, the Group continued to promote comprehensive services such as operation of machinery and scaffolding equipment and effective linkage with the financial business in an orderly manner to lay out a framework of an industry service corporation, and the network of the Group's operation services has gradually spread nation-wide and created relevant advantages in related sub-markets. In 2016, in order to adapt to the market environment, the Group made strategic moves to reduce the allocation of resources to certain sluggish industries, which led to a lower growth rate for its engineering construction business sector. Since 2017, the Group continued to explore integrated operation services, such as equipment operation, engineering services and Public-Private-Partnership (PPP), in order to improve the service system for the Group's investments, financing, construction and operations.

The Group established Horizon Construction Development, a comprehensive equipment service provider in the construction sector in China, which is mainly engaged in the lease of equipment and engineering construction in the fields of industrial equipment, turnover materials, pavement equipment and electric power equipment. Horizon Construction Development relies on its nationwide operating network, compound operation capabilities, full range of equipment and expertise in equipment operation to provide a one-stop service to customers. It has served 97,000 customers and participated in projects such as construction of the Terminals at Beijing Daxing Airport, construction and installation of Shanghai National Convention and Exhibition Centre, decoration of the Bird's Nest in Beijing, construction of Shenyang Metro and construction of Hangzhou East Railway Station. As at 31 December 2021, Horizon Construction Development owned more than 90,000 pieces of equipment and over 2,000,000 tons of materials, with the total original value of its operating assets ranking No.1 in the equipment service market. Specifically, its industrial equipment consists of scissor-type and boom-type aerial work platforms, which are used in construction, installation and subsequent maintenance of industrial buildings, urban public facilities, commercial sites, petrochemical and metallurgical structures, with a stock of more than 97,000 pieces. The new materials consist of temporary steel structures for construction purpose such as socket type scaffolding, steel support, Larsen pile and structural steel, which are widely used in facade construction and foundation pit support in subways, overpasses, tunnels, municipal pipelines and ditches, housing construction, water channels, ports, factory buildings, high-speed rail and other construction fields. The pavement equipment consists of paving machines, road rollers and milling machines, which are used in the construction and maintenance of asphalt concrete pavements such as high-grade roads, airport runways, test-drive tracks and municipal roads. The electric power equipment consists of generators and load boxes, which are mainly used in temporary power supply for engineering construction, large-scale exhibitions, advertising campaigns, marine engineering, urban construction, field engineering, and mining. As at 31 December 2021, Horizon Construction Development had 299 service outlets in East China, South China, North China, Southwest China and Northeast China, providing high quality and convenient services for its corporate customers. In addition, it offers tailored design and research services for its customers, with many of its independently-developed products holding a leading position in China. As at 31 December 2021, it owned 19 trademarks, 64 patents, nine domain names and 37 software copyrights in China. In 2021, Horizon Construction Development rose to the 24th place in IRN Worlds Top 100 Rental Companies.

Horizon Construction Development has further explored the overseas market, and operated in six countries and regions in 2021. It has also developed online marketing channels, such as "Far East e Market" and "Horizon Equipment high-altitude vehicles", thus enhancing the Group's internal operating efficiency and service of external customers. In 2020, Horizon Construction Development and the hospital group under the Group not only gave play to their own strengths and actively participated in the national front-line epidemic prevention and anti-epidemic efforts, but also continuously unleashed its financial efficiency, contributing critical growth momentum for the Group's "finance + industry" dual driven and coordinated development.

Capitalising on the rapid growth of the industry and its deep understanding of the sector, the Group has achieved strong growth over recent years. It maintains a competitive sales team with significant industry understanding and finance expertise to provide customised services to its customers in the engineering construction industry.

The Group frequently liaises with industry experts and retains an external expert as its regular adviser. It maintains frequent and close contact with major construction equipment manufacturers and trading companies domestically and overseas in order to gain first-hand information on industry and regulatory trends. Active involvement in industry associations and customer forums are also considered key sales and marketing activities to help the Group strengthen industry penetration and promote its services. Its leased construction equipment is mainly comprised of excavating machines, earthmoving machines, road maintaining machines, pavement equipment, pile machines, concrete machines, drilling machines and hoisting construction equipment.

The Group's advisory services in the engineering construction industry include: (i) sharing of market information and statistics, and providing customers with regulatory trend analysis and market data based on industry expertise and accumulated market information; and (ii) financial consulting services such as working capital and cash flow management consulting based on analysis of the customers' financial statements and operational status as well as financial policy. Major customers of the Group's engineering construction industry mainly come from industries including transportation construction, urban development, industrial construction, construction materials, cultural venues and electricity.

The Group's Business in the Machinery Industry

The Group formed its machinery business division in 2005. The Group provides industrial machinery equipment financial leasing services for various manufacturing companies in China, primarily focusing on automobile parts producers, with the aim of achieving sustainable growth and technology enhancement in the Chinese manufacturing industry. The Group successfully penetrated into different customer areas and was one of the leading market players in 2019, 2020 and 2021 in the machinery industry, based on market information.

As its financing services are extended to a number of sectors within the machinery industry, such as machine tools, automotive, public transportation, energy and electronic devices, the Group's sales and marketing strategy focuses on active involvement and liaison with various industry associations, such as automobile industry associations and mechanical bearing industry associations, to collect the latest industry information and, more importantly, machinery purchase and financing demand information to facilitate its marketing efforts. The Group also organises machinery exhibitions regularly and involves its key customers, various manufacturing companies and machinery equipment purchasers to promote its services. Its sales staff make regular visits to a number of key government industrial parks to develop business relationships with various manufacturing companies. As the financial leasing business of the machinery industry involves mostly small-ticket machine tool leasing, and requires industry-specific financing expertise and an extended sales network to reach customers which are spread across China, the Group has established a specialised sales team equipped with the necessary industry expertise and marketing capability to maintain sufficient coverage of a diverse customer base and to provide customised small-ticket financial leasing services for machinery equipment.

The advisory services provided in the machinery industry include (i) market information and statistics exchange and providing customers with regulatory trend analysis and market data based on industry expertise and accumulated market information, and (ii) financial consulting services, such as working capital and cash flow management consulting based on an analysis of the customer's financial statements and operational status as well as financial policy. Major customers of the Group's machinery industry mainly come from industries including automobile parts manufacture, railway transportation equipment manufacture, electrical power equipment manufacture, general equipment and basic parts manufacture and electronics machinery manufacture.

The Group's Business in the Chemical & Medicine Industry

The chemical & medicine business development department was established in October 2019. It offers equipment financial leasing services for various chemical industries in China, primarily focusing on chemical companies and pharmaceutical manufacturing, with the aim of achieving sustainable growth and technology enhancement in China's chemical industry. China has become the world's largest chemical production and trading country and has established a unique whole-industry-chain chemical system. The chemical & medicine business development department mainly focuses on high-value-added sub-sectors in the chemical industry, such as pesticides, dyes, adhesives, coatings, rubber and plastic additives, etc. Factors, such as having a large population base, aging community, and continued growth in per capita disposable income have led to continued increase in demand for medicines. China's pharmaceutical manufacturing industry has maintained rapid growth for ten years, and the production of chemical raw materials accounts for around 60 per cent. of the world. The chemical & medicine business development department focuses on supplying chemical raw materials, chemical-pharmaceutical preparations and products for other subdivided medical fields. Major customers of the Group's chemical & medicine industry mainly come from industries including chemical and pharmaceutical manufacturing.

The Group's Business in the Electronic Information Industry

In April 2012, the Group consolidated the electronic information business and incorporated the electronic business in the machinery industry into other industries. The Group commenced its new business in the electronic information industry and established the electronic information segment in December 2012.

The electronic information segment targets the information industry in the PRC and is an integrated financial services institution providing diversified financial solutions to upstream and downstream customers of various industry chains. Demands in electronic information industry have been increasing, with frequent hot topics on 5G base station, wearable devices and other aspects. The electronic information segment is currently involved in fields such as electronic information manufacturing and information technology application. Relying on vast industry experience and resource-coordination skills, and through the dedicated corporation of corporate customers, well-known domestic and overseas manufacturers, agents, associations, government and business partners, the electronic information segment has built up a national customer service network, with Shanghai as its centre.

Through continued in-depth research and pioneering in the electronic information manufacturing and information technology application fields, the electronic information segment is committed to providing the industry chain with quality and professional financial services, operational services and investment services. Major customers of the Group's electronic information industry mainly come from industries including electronics manufacture, 3C (computer, communications and consumer-electronics) and electronic terminals, electrical machinery and applications of information technology.

The Group's Business in the Livelihood & Consumption Industry

This industry segment mainly includes segment sectors of packaging, food, textile and light industry, and commercial and retail industries.

This industry segment is targeted at products reflecting a consumer-oriented focus, and is developing in line with industry trends of the upgrading of consumption and consumer intelligence, which in turn follow the general upward trajectory and changes to general consumers' livelihoods. Complementary concentration on other segment sectors within this industry segment (such as textile and apparel, food and beverage and retail and commerce) allows the Group to provide more comprehensive financial solutions. These include tailored financial leasing solutions, factoring services, providing financial services to small and medium-sized enterprises in the targeted industry sectors and facilitating asset securitisation products and structured financing products and equity pledge financing.

Through continued in-depth research and pioneering in the livelihood & consumption industry application fields, the industry segment is committed to providing the industry chain with quality and professional financial services, operational services and investment services.

The Group's Business in the Transportation & Logistics Industry

The Group began to provide its services within the ship financial leasing industry in 2003. It primarily provides ship leasing services to shipping companies established in China, or ultimately owned by Chinese entities, in the form of direct financial leases, whereby its shipping customers purchase vessels with its financing support. In addition, it also provides ship brokerage services for the selling and purchasing of new and used vessels. In July 2013, the Group renamed its shipping sector as the transportation sector to expand its business to include railway transportation, pipeline transportation and smart logistics industries. In 2016, the growth of demand in the shipping industry remained sluggish, and the problem of over-capacity could not be fundamentally resolved in the short term with the downturn and volatility of the shipping market expected to continue for a certain period. The Group undertook measures such as writing off bad debts and monitoring assets in this business sector. Since 2017, with the gradual recovery of the shipping market, shipping prices also gradually increased, and the imbalance between supply and demand was alleviated. Therefore, in 2018, as the shipping business picked up, the Group restarted its ship financial leasing services.

The Group leverages its industry expertise within the transportation & logistics industry and provides transportation financing services which are specially customised to provide reliable funding support for its transport customers. The Group's specialised sales team is capable of providing comprehensive financing solutions and professional advisory services for its customers, who request essential, industry-specific financing advice at the time they purchase vessels. The Group believes that its provision of an integrated and customised range of financial services to its transport customers has enhanced its customers' trust and reliance on its services and enabled it to establish its market position within the transportation financing market. Its extensive network with ship builders, sellers and purchasers allows it to continue its expansion into ship brokerage service. Major customers of the Group's transportation & logistics industry mainly come from industries including logistics, transportation infrastructure, supply chain management, and smart system and smart transportation.

The Group's operations in the transportation financial leasing market are divided into the U.S. dollar financing business and the CNY financing business. Its U.S. dollar financing services are provided primarily to shipping companies operating on international shipping lines, while its CNY financing services are provided principally to shipping companies operating on domestic shipping lines. The Group also provides various advisory services to its transportation & logistics industry customers, which include: (i) vessel operation advisory services, such as ship selection and purchase timing analysis; (ii) industry competition analysis, based on its cumulative industry expertise and market information; and (iii) financial consulting services, such as working capital and cash flow management consulting based on an analysis of the customer's financial statements and operational status, profit projection and vessel value assessment.

On 28 March 2008, the Ministry of Communications (交通運輸部) issued the *Notice of the General Office of the Ministry of Communications on Improving Administration of Ship Financial Leasing* (交通運輸部辦公廳關於規範國內船舶融資租賃管理的通知) in the PRC (the "**Notice**"), which became effective on the same date and abolished on 10 June 2020. According to the Notice, where a lessor conducts ship financial leasing in China in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures or wholly foreign-owned enterprises, the foreign shareholding shall not exceed 50 per cent. of the total investment. To comply with the Notice, Far Eastern, a wholly foreign-owned enterprise, has, since March 2008, ceased to provide ship financial leasing services in China. Instead, the Group continues to conduct its ship financial leasing business in China by way of entrusted loans, whereby the Group entrusts local financial institutions qualified for the lending business (such as banks) to lend the Group's money to domestic enterprises to provide financing for their ship construction or purchasing. The constructed or purchased ships will then be mortgaged to the Group as a guarantee for the repayment of the entrusted loans. In addition, the Group also conducts its ship financial leasing business outside China through the offshore subsidiaries wholly owned by FEH Shipping. Therefore, the Group's lease receivables relating to the transportation & logistics industry currently include entrusted loans granted for ship leasing and offshore ship leasing receivables.

The Group understands its provision of entrusted loans within the transportation & logistics industry (after the Notice became effective) does not contravene PRC laws and regulations. In addition, the performance of those ship leasing contracts that the Group was completed before the effective date of the Notice, and the receipt of related interest income after the effective date will not be deemed by the relevant PRC authorities to be a breach of the Notice.

In addition, the Group, as the general partner, established a shipping fund with the total capital of U.S.$40 million in the Cayman Islands on 18 March 2015, through which the Group explored brand new model for the asset management business to leverage the potential industry risks and enhance the operational capability of the Group over the control of the shipping assets.

The Group's Business in the Urban Public Utility Industry

In March 2015, the Group established the urban public utility business unit. Through this sector, the Group aims to seize the opportunities arising from the development of China's urban public utilities by providing a wide range of financial products and professional consulting services to three main urban public utility industries, namely urban infrastructure construction, urban operation and municipal services.

The business scope of this business sector mainly comprises: (i) financing services, including providing financing for equipment purchase, sale-leaseback of current assets, operating lease, factoring and commercial paper financing; (ii) capital services, including making equity investments as strategic investors, acting as financial adviser in mergers and acquisitions and providing consulting services; and (iii) industrial services, including investing in PPP projects, cooperating with government authorities on industrial investment funds and providing value-added services.

Through its long-term efforts, the Group has established extensive cooperative relations with domestic and overseas renowned manufacturers, agencies, associations, research institutions, government authorities and other business partners, and has built a nationwide service network with a mature business process management system. Major customers of the Group's urban public utility industry mainly come from industries including city transportation, water treatment, energy, waste treatment and gas supply.

COMPETITIVE STRENGTHS

The Group believes that it has the following competitive strengths:

The Group has capitalised on China's robust economic growth by strategically focusing on selected industries which have been expanding as China's economy grows.

Over the past three decades, China's economy has grown significantly, in part, largely due to the Chinese government's extensive economic reforms. According to the National Bureau of Statistics of China, the nominal GDP of China grew from RMB21.9 trillion to RMB114.4 trillion between 2006 and 2021.

The Group's target industries have also enjoyed rapid growth along with the Chinese economy and the Chinese financial leasing industry. In particular, the total expenditure or total output value of its target industries has increased over the past three years.

The Group currently operates its business within its redefined nine target industries, a large majority of which have experienced continued growth in recent years.

The Group has developed a distinctive business model providing customised and integrated financial services to target industries by leveraging its established industry expertise and thorough understanding of its customers' specific needs.

The Group's distinctive business model enables it to provide a customised and integrated range of financial services primarily across a portfolio comprising its target industries, so as to support the growth of its customers' businesses along with the growth of the Chinese economy. In addition, the Group is also able to leverage its accumulated industry and management expertise derived from its business model to expand into other target industries in China with promising growth potential. The Group believes that its business model is distinctive for the following reasons:

- it provides an integrated and customised range of financial services;
- it has effective operational and project execution capabilities in step with its business growth;
- it maintains strong asset and customer quality through effective risk management systems; and
- it has industry-specific sales and marketing initiatives.

The Group is a market leader in China's financial leasing industry and has an extensive customer base.

The Group enjoys a leading market share in a majority of its target industries and is one of the top performers among China's financial leasing companies in terms of revenue and net profit. Based on the market information, for the year ended 31 December 2021, the Group has a leading position among the top 10 financial leasing companies in China in terms of net profit and total assets and achieved a leading market share in terms of the aggregate value of new lease contracts in revenue terms in the provision of financial leasing services to public utilities, public hospitals, construction industry and automobile parts manufacturers.

The Group's leading market position in the majority of its target industries is bolstered by a growing customer base with whom it has well established long-term relationships. Its customers primarily comprise of small-to-medium-sized enterprises, large corporations and public institutions within its target industries, each of which has been selected under stringent risk management procedures based on factors such as the stability of their cash flows and/or asset values, industry reputation and track record. As at 31 December 2021, the Group's customer base consisted of over 20,000 customers located in nearly every province of China, and was located primarily within the regions with a fast growing economy, such as the Bohai Rim (comprising Beijing Tianjin, Shandong, Liaoning and Hebei), the Yangtze River Delta (comprising Jiangsu, Zhejiang, Shanghai and Anhui), the Pearl River Delta (comprising Guangdong, Guangxi and Hainan) and central China (comprising Hunan, Hubei, Chongqing, Sichuan and Henan). As testimony to its customers' loyalty and reliance on its services, the Group also has a large number of repeat customers. The Group has further successfully tapped into its financial leasing customer base to provide extended value-added services in addition to providing its integrated financial services to new customers.

The Group has an experienced, stable and cohesive management team and qualified staff with proven track record and a performance-based corporate culture.

The Group's management team has successfully developed its business into a leading financial services company in China. The executive Directors and key senior management have been with the Group since 2002 and have contributed their management expertise and business acumen to lead the Group since the relocation of the Group's operating centre to Shanghai in 2001. Most of the Group's senior management members have an average of more than 24 years' experience in China's financial services industry. The Group has a highly capable, committed and motivated management team, whose strong entrepreneurship has led to the successful development of its businesses within its target industries. The Group's management team also shares a vision of loyalty, teamwork, cohesiveness, continuous learning and excellence with its employees. As at 31 December 2021, approximately 35.5 per cent. of the Group's employees have a bachelor's degree and above, and approximately 7.6 per cent. have a master's degree and above. Due to the employees' diversified education background, work experience and internal training, the employees of the Group possess the necessary professional and specialised expertise within the relevant target industry division in which they operate.

The Group is committed to motivating its employees and creating a meritocratic system under which compensation is dependent on the satisfaction of attainable performance targets. It has fostered a distinct culture and core set of values which it seeks to reinforce with its Directors, senior management and employees.

The Group has diversified and sustainable funding sources to support its business growth and has strong capabilities in managing its funding risks.

The Group's business growth and working capital requirements are primarily supported by interest-bearing bank and other borrowings and equity. Since 2002, the Group has developed strong relationships with domestic and foreign financial institutions from which it has obtained loan financing (including syndicated loans). As at 31 December 2021, these financial institutions included, among others, the big six commercial banks in China, national joint stock commercial banks, China Development Bank, The Export Import Bank of China, Agricultural Development Bank of China, China Merchants Bank, Bank of Shanghai, Bank of Communications, city and rural commercial banks and foreign-invested banks. In September 2018, Far Eastern finalised a strategic cooperation agreement with Bank of Shanghai. In September 2021, the Group finalised a strategic cooperation agreement with Shanghai Pudong Development Bank. Such relationships have allowed the Group to secure the sustainable sources of financing to support its business growth and working capital requirements. The Group also encourages foreign syndicated facility renewal to further developed foreign facilities markets such as Hong Kong and Taiwan.

The Group has also diversified its funding sources to include private banking, trusts, third-party wealth management and the employment of financial instruments, such as asset backed securitisation, perpetual securities and medium-term notes, so as to expand its funding sources and maintain a capital-adequate and cost-efficient funding base. Since its first issuance of offshore Renminbi bonds in a principal amount of RMB1,250 million in May 2011, the Issuer has been very active in the bond market. The Issuer issued senior perpetual securities in June 2014 and June 2017, and further subordinated perpetual securities in December 2017, further achieving diversification in fund raising.

Other members of the Group also have a variety of financial instruments for funding purposes. Having previously issued two asset-backed securities products, Far East issued a third asset-backed securities project in July 2014, namely, Far Eastern Third Leasing Asset Backed Security Management Programme.

In August 2014, Far Eastern received a notice of acceptance of registration (the "**Registration Notice**"), issued by National Association of Financial Market Institutional Investors (《中國銀行間市場交易商協會》), to issue domestic medium-term notes with registered amount of RMB3 billion within two years commencing from the date of issue of the Registration Notice. It was one of few domestic leasing companies that were given a rating of investment grade internationally recognised and had diverse financing methods with an improved liability structure, enabling it to further reduce its reliability on a single product and a single market and in turn to achieve diversity of financing products, decentralisation of financing regions and the long-term finance. In September 2014, Far Eastern completed the issuance of five-year domestic medium term notes with a coupon rate of 5.6 per cent. per annum in a principal amount of RMB1.5 billion pursuant to the Registration Notice. Far Eastern was the first finance leasing company in the PRC being approved to issue medium term notes in the inter-bank market publicly.

In 2015, the Group proactively adjusted its financing strategies and increased its financing ratio in China due to the looser domestic monetary market and lowering financing costs. In 2016, the Group further enriched securities portfolios at home. With respect to direct financing, there were 14 issuances in that year, with the cumulative amount of RMB26 billion, including RMB13 billion of corporate securities, RMB8 billion of private placement notes, RMB2 billion of ultra-short financing bills, RMB2 billion of short financing bills and RMB1 billion of other securities.

In respect of indirect financing, the Group maintained its current financing channel and strengthened its cooperative relationships with key bank channels at the same time. The Group has also achieved cross-platform facility on the basis of the current financing channel as required by its strategic development, and strengthened its cooperation relationship with key bank channels, in particular with the six big banks and three policy banks. At the same time, the Group has adjusted its previous cooperation methods according to its own development progress and channel characteristics in order to meet the demand for the Group's products.

In terms of off-balance sheet financing, the issuing efficiency of the Group's asset securitisation products was significantly improved, and the issuance cost repeatedly hit a record low, which enabled the Issuer to be the most active financial leasing company with the issue of asset-backed securities products in China. In 2019, the Group was awarded the "Excellent Participant in Asset Securitisation Business" by the Shanghai Stock Exchange. Off-balance sheet financing diversified funding sources optimised the Group's liability structure and improved the management of financial statements.

In 2017, in order to replenish the working capital and further expand the scale of its business, the Group further enriched its securities financing channels. The Group enhanced the size of the distribution in the domestic and foreign direct financing market. The Group completed 22 issuances in the year, with an aggregate amount of RMB40.3 billion, including corporate securities of RMB15 billion, private placement notes of RMB10.8 billion, ultra-short financial securities of RMB7.5 billion, short-term financial securities of RMB1.5 billion, mid-term notes of RMB5 billion and other securities of RMB0.5 billion. In 2018, the Group further enriched its securities financing varieties and expanded the size of its issuances in the domestic direct financing market, creating an environment for continuous issuance. The Group completed 17 issuances in the year, with an aggregate amount of RMB22.7 billion, including corporate securities of RMB9.7 billion, private placement notes of RMB3.5 billion, ultra-short financial securities of RMB7.5 billion, and mid-term notes of RMB2.0 billion. In 2019, the Group completed 13 issuances in the year, with an aggregate amount of RMB17.0 billion, including ultra-short financial securities of RMB9.0 billion, corporate securities of RMB7.0 billion, and mid-term notes of RMB1.0 billion. In February 2020, the Group successfully completed the issuance of the first RMB2 billion of renewable disease prevention and control securities. The funds raised are planned to be used in part to support the development of enterprises in epidemic areas and pharmaceutical companies, which reflects the Group's social responsibility and active participation in epidemic prevention work. In July 2020, Universe Trek Limited (the "**CB Issuer**") issued U.S.$300,000,000 2.50 per cent. guaranteed convertible bonds due 2025. In December 2020, the CB Issuer issued U.S.$200,000,000 zero coupon guaranteed convertible bonds due 2025. In June 2021, the CB Issuer issued U.S.$250,000,000 zero coupon guaranteed convertible bonds due 2026 guaranteed by the Issuer. In August 2021, the CB Issuer further issued U.S.$200,000,000 zero coupon guaranteed convertible bonds due 2026 guaranteed by the Issuer.

The Group has further enriched its bond portfolios by introducing innovative products, such as renewable corporate bonds, and has formed the new stage of alternate issue of various products, such as corporate bonds, private placement note and ultra-short financing bills in different markets. Currently the Group is fully equipped with continuous and effective ability to issue securities, enabling it to set up the image of being a mature issuer in the capital markets.

In summary, the Group has diverse financing methods with an improved liability structure, thus further reducing its reliance on a single product or a single market, and in turn achieving diversification of financing products, decentralisation of financing markets and continuation of maintaining a competitive cost advantage.

The Group is also able to match, effectively, its funding with its asset growth on an ongoing basis through regular review and adjustment of its funding sources and structure in view of the changes in its internal and external business environments.

The Group manages its liquidity risks by regularly monitoring the relative maturities between its assets and liabilities and taking the necessary steps to maintain an appropriate and prudent balance of long-term and short-term funding sources. The Group manages its interest rate exposure by regularly assessing potential changes in interest rates using gap analysis. It further strengthens research capabilities to determine interest rate fluctuations and trends by formulating regular tracking and reporting systems.

BUSINESS STRATEGIES

The Group intends to implement the following principal strategies to grow its business:

Capitalising on growth opportunities of China's financial leasing market.

The Group believes China's financial leasing industry is still underdeveloped, and that its target industries still enjoy sustainable growth potential. Hence, there are promising opportunities to explore the attractive growth potential of China's financial leasing industry and its target industries. Furthermore, the Group intends to continue exploring growth opportunities within other target industries in China with growth potential and in which it believes its services can be competitive, so as to complement its existing business. The Group believes that its track record and experience in China's financial leasing industry has provided it with sufficient insights into industry trends, customer needs and market potential, which will equip it with the required capabilities to pursue suitable expansion and penetration into these new industries.

In addition, the Group believes that there is substantial growth potential in the market demand for its financial leasing services arising from the growth of private sector enterprises and public institutions. In addition to conventional bank lending, the Group's ability to understand the value of the assets underlying the leases as well as its customers' needs provides a differentiated and effective competitive advantage. For 30 years, the Group has been successfully developing its business by taking advantage of the rapid growth of China's economy and the continuing opening up of China's financial market. The Group intends to continue to capitalise on growth opportunities of China's financial leasing market by leveraging its industrial expertise, established presence in its target industries and extensive customer network.

Expanding the Group's customer base and achieving deeper market penetration within its existing target industries through focused sales and marketing efforts and the expansion of its existing services.

The Group is constantly evaluating opportunities to leverage its significant industry expertise and extend its services to additional customer segments within each of its existing target industries. In this respect, the Group plans to devote more attention, manpower and resources to expanding its customer base and strengthening its customer relationships through focused sales and marketing efforts and further segmentation of China's economic areas in which it operates. These sales and marketing efforts will include the regular organisation of, and participation in, more industry exhibitions and trade associations so as to maintain industry presence and promote its specialised industry knowledge among key industry players. The Group believes that such focused sales and marketing efforts will strengthen market demand for its integrated financial services and enable it to further capture larger market share and more customer segments ahead of its competitors.

The Group has also adopted the operational philosophy and development strategy of "finance + industry" and focused on the basic industries related to national economy and people's livelihood. The Group endeavours to realise its vision of "Integrating global resources and promoting China's industries" by making innovations in products and services to provide its customers with tailor-made integrated operations services. For instances, the Group has integrated the high-quality resources of its healthcare business unit and ventured into high-end maternity and rehabilitation services, further expanding the Group's influence in the healthcare industry.

Within its existing services, the Group increased the introduction and cultivation of medical personnel, strengthened the quality of medical care and service management, promoted the development and construction of disciplines and greatly increased the medical service capability and management level of the Group's hospitals.

Diversifying services portfolio in China to enhance the Group's value-adding capabilities.

The Group believes innovation is key to the continuing growth of its business. It intends to continue to develop a differentiated services portfolio, targeting specific customers' needs so that it can differentiate itself from its competitors and enhance its market competitiveness. Going forward, when suitable opportunities arise, the Group intends to expand its services portfolio to explore the medical engineering business in the healthcare industry, explore opportunities in higher-end quality kindergartens and schools in the culture & tourism industry, to extend its services across the packaging industry value chain, and to provide operating leases in the engineering construction industry.

Through the diversification of its services portfolio and expanded scope of integrated value-added services, the Group intends to continue to broaden its customer base, develop a greater understanding of its customers' needs, cultivate long-lasting relationships and secure more repeat business. The Group intends to extend the reach of its new services within China by leveraging its brand equity, business network, established customer base, expertise within the industry value chain, sales and marketing expertise, and management expertise to set strategic directions pertaining to its service portfolio diversification and, where required, acquire suitable management and technical expertise.

Continue to optimise funding sources, minimise funding cost and effectively manage funding risks.

The Group will continue to seek to minimise its costs of funding and expand its funding sources on a sustainable basis to maintain the liquidity necessary to manage its business growth and to provide competitive pricing to its customers. The Group intends to leverage its previous experience in the issuance of three Far Eastern asset-backed security management programmes and domestic medium term notes in the PRC inter-bank market and use similar financing channels under appropriate market conditions. The Group will leverage the opening up of China's financial markets to explore further financing options where suitable opportunities arise and under appropriate market conditions. In addition, the Group intends to increase its participation in the capital markets (including both equity and debt financing) as additional funding sources. The Group also seeks to enhance its strategic cooperation with both domestic and foreign financial institutions to facilitate timely funding at competitive rates for its business operations, and will continue to adhere to its stringent processes to effectively manage its liquidity and interest rate risks.

In 2019, under the strategy of "resources globalisation", the Group continued to optimise its liability structure and effectively control its finance costs. The Group's major measures are as follows: (i) the Group will deepen its cooperation with domestic major banks and non-bank institutions; (ii) the Group will actively focus on development in international market, enhance its communications with rating agencies and investors, as well as expand its cooperation with overseas financial markets; and (iii) the Group will continue to explore new channels and products, thereby further enhancing and enriching its financing structure.

Continue to strengthen risk management capabilities.

The Group intends to continue to enhance its risk management capabilities by continuing to implement an integrated and dynamic risk management system and optimising its prudent risk management systems to protect the long-term interests of its shareholders, customers and employees. The Group also intends to proactively streamline its procedures to enhance its stringent selection process of suitable fundamental and sustainable industries, the segmentation of suitable target customers, its customer credit assessment and approval procedures, and its portfolio monitoring and management. In addition, the Group intends to upgrade its information technology system, and to more closely monitor and control the status of assets, its financing project management and overall asset monitoring of the Issuer.

Continue to select, develop, motivate and retain a talented and professional workforce.

The Group believes that part of its success is greatly attributable to its ability to select, develop, motivate and retain its talented and professional workforce. The Group plans to further strengthen its workforce to meet its strategic goals. The Group will continue to focus on recruiting and cultivating the technical expertise and industrial knowledge of its workforce and training and development programmes to enhance its employees' professional knowledge and capability. The Group is dedicated to the creation of a supportive culture, promoting personal and professional development. The Group will continue to rely on an incentive-based compensation structure to better align employees' compensation with their contribution to its business. The Group will also continue to improve its human resources policies to attract, train, incentivise and retain employees.

SALES AND MARKETING

The Group organises its sales and marketing activities by industry divisions, and its sales and marketing network has been developed along with the development of its industry divisions. Each industry division has its own sales and marketing strategies and plans, conducts market and consumer research, coordinates marketing activities for the particular industry, promotes partnership and cooperation relationships with customers, and conducts sales and marketing activities with personnel having substantial industry expertise. As at 31 December 2021, the Group has established a nationwide sales and marketing network throughout its regional offices which are strategically located in Harbin, Shenyang, Beijing, Tianjin, Urumqi, Taiyuan, Jinan, Zhengzhou, Xi'an, Nanjing, Hefei, Shanghai, Chengdu, Wuhan, Chongqing, Nanchang, Changsha, Guiyang, Kunming, Xiamen, Guangzhou, Nanning, Shenzhen and Hong Kong in close proximity to the principal offices of its key target customers. In addition, it intends to establish more regional offices as its client base grows. The Group provides its services directly through its sales staff. It sends its sales staff directly to the customers to understand their requests and needs, and to establish close relationships with them. The industry expertise and background of the staff bring better sales and marketing achievements.

The Group promotes customer awareness of its brands and products through its advertising and promotional activities. It has combined its sales and marketing efforts with various activities, including the following:

- organisation of interactive meetings and regular industry exhibitions involving its customers, industry professionals, suppliers and manufacturers, and representatives of regulatory authorities of each of the nine target industries;

- frequent liaison with various industry associations;

- organisation and sponsorship of a number of customer forums;

- regular visits made by its sales staff to its existing and potential customers (at, for example, industrial parks); and

- advertisement in a variety of media such as journals, magazines and television networks with specific industry focus.

These activities have enabled the Group to: (i) establish strong relationships with its customers as well as other key participants within the relevant industry; (ii) collect the latest industry information as well as demand and supply trends to facilitate its marketing efforts; and (iii) maintain a stable customer base and achieve comprehensive market coverage in its reach to potential customers.

CUSTOMERS

The main customer base of the Group consists of small-to-medium-sized enterprises, large corporations and public institutions. As at 31 December 2021, the Group had around 20,000 customers across its nine target industries. The Group has established comprehensive systems adopting certain criteria for its customer-selection process, including proven track record and business scale factors, such as the target customer's total assets, revenue, stability of cash flow, competitive advantages, customer base, industry qualifications and ranking, operating and credit histories and main customer characteristics. The Group aims to select high-quality customers with strong profitability potential, long-term financing demands, stable cash flows and a sound financial base.

The Group's five largest customers contributed in aggregate less than 5 per cent. of the Group's total revenue for each of the years ended 31 December 2019, 2020 and 2021.

FUNDING CAPABILITIES

The Group has established strong and effective funding capabilities and has prudently managed its balance sheet by maintaining gearing ratios at a level that the Group considers reasonable. The Group aims to make full use of capital leverage for its operations to keep its gearing ratio relatively high but at the same time closely managing the levels of gearing ratio to avoid any potential liquidity risk. By reference to the gearing ratios of commercial banks and main competitors in China, the Group believes that its gearing ratio was maintained at reasonable levels for the three years ended 31 December 2019, 2020 and 2021. It has been able to secure sufficient equity and debt financing to match the expansion of its business operations and working capital requirements. It has achieved stable funding while diversifying its funding sources by implementing the following funding strategies:

- steady and effective management of its funding through stringent and dynamic capital budgeting systems to optimise funding continuity and maturity profiles, and to mitigate liquidity risks;

- operating through streamlined capital management workflows to enhance capital efficiency;

- diversifying funding channels to ensure capital supply and balanced funding mix; and

- strategic selection of multiple domestic and overseas financial instruments to effectively manage funding costs.

Through these funding strategies, the Group is able to:

- effectively match its funding with its asset growth on an ongoing basis through regular review, adjustment and structuring of its funding sources and instruments while closely monitoring changes in its internal and external business environments;

- manage its liquidity risks by regularly monitoring the relative maturities between its assets and liabilities and taking the necessary steps to maintain an appropriate and prudent balance of long-term and short-term funding sources;

- manage its interest rate exposure arising from its interest payments on its loans and financing obligations by regularly assessing potential changes in interest rates using gap analysis and further strengthening research capabilities to forecast interest rate fluctuations and trends by formulating regular tracking and reporting systems; and

- maintain diversified funding channels through various types of banks and non-bank financial institutions, and has established a well-balanced portfolio of funding sources such as loans and syndicated loans, trust financing, private banking, third-party wealth management and other financial instruments such as asset-backed securitisation perpetual securities and medium term notes so as to vary its funding sources and maintain a capital-adequate and cost-efficient funding base.

Moreover, by adhering to its funding strategies, the Group has successfully increased the proportion of long-term interest-bearing bank and other borrowings to more adequately match the maturity profile of its assets.

Depending on its business development and capital needs, subject to market conditions, the Group will, from time to time, explore suitable fund raising channels, including leveraging both equity and/or debt markets, as well as any other financing possibilities.

COMPETITION

The opening up of the financial leasing industry in China has resulted in increased competition. The Group's competitors are mainly non-bank financial service providers, in particular bank-affiliated leasing companies, captive leasing companies and independent leasing companies which operate either on a similar or larger scale than the Group. Benefiting from China's supportive policies, China's financial leasing industry has increased greatly in the number of its participants in recent years. Based on market information, as at 31 December 2021, there were approximately 11,917 financial leasing entities, including domestic, foreign and foreign-invested enterprises operating in China, as compared with approximately 12,156 financial leasing entities operating in China as at 31 December 2020. The financial leasing industry erects high entry barriers, which include operational qualifications, initial starting capital, strong and sustainable capital funding capabilities, professional and industrialised risk management and sales and marketing strengths.

Bank-affiliated leasing companies typically focus on big ticket leasing and have a customer base largely built on the banks' network. Captive leasing companies (which refers to the internal leasing division or the subsidiary leasing arm owned by a manufacturer or a dealer for the purposes of offering alternative financing options to the parent company's customers) typically focus on supporting their equipment sales and planning their business expansions in line with their equipment sale demand. Independent leasing companies utilise diversified capital sources and provide services to a relatively broader customer base characterised by greater flexibility, independence and discretion.

The Group's ability to compete against these competitors is, to a significant extent, dependent on its ability to distinguish its services from those of the Group's competitors through the following factors:

- provision of integrated, customised and supplemental value-added services that are competitive in terms of quality and effectiveness;

- extensive market coverage in China by leveraging on its sales and marketing capabilities;

- specific industry focus and professional expertise;

- diversified capital sourcing capabilities; and

- strong brand equity and established customer relationships.

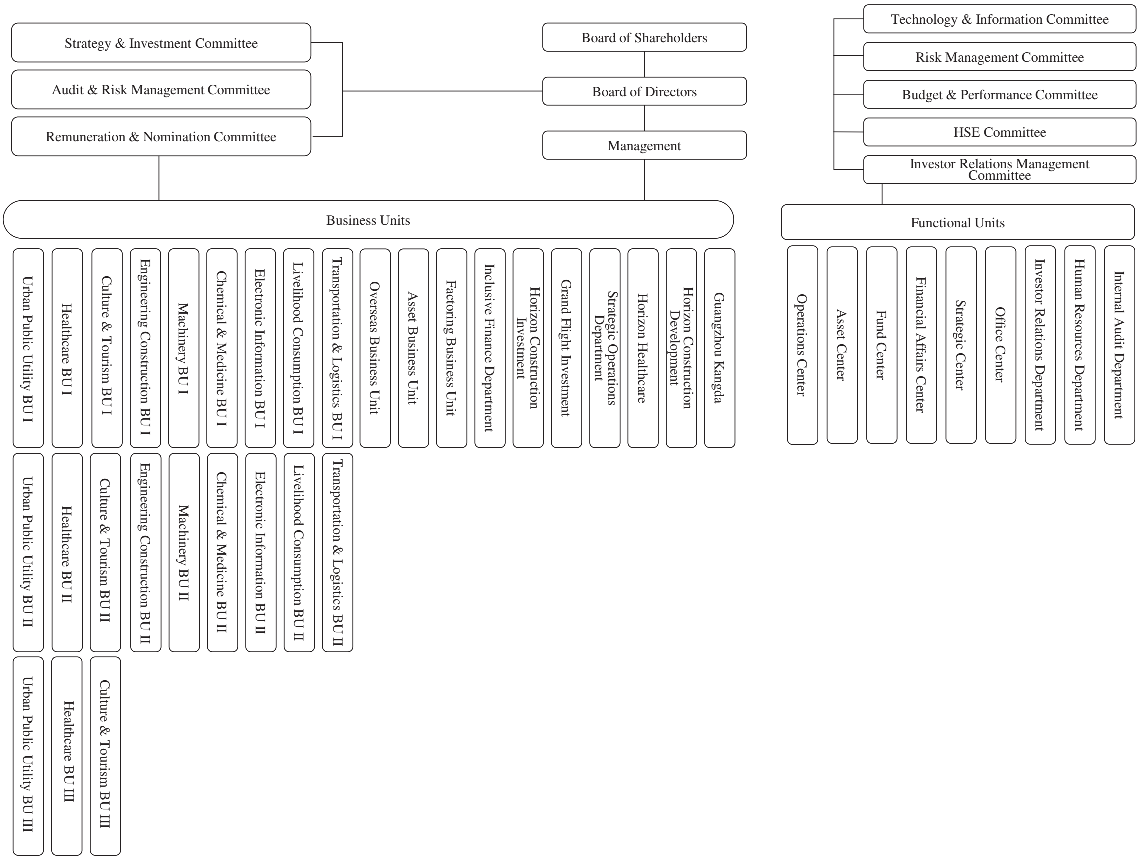
The Group intends to continue to implement its strategies to differentiate itself from its competitors and to enable it to compete effectively in China's financial services industry.

RISK MANAGEMENT

As a financial services provider, the Group is subject to substantial liquidity risk, credit risk and interest rate risk in its business operations while it is exposed to relatively limited operational risk and exchange rate risk. The Group's risk management principle is to implement an integrated and dynamic risk management system, and continue to optimise its prudent risk management system to protect the long-term interests of its shareholders, customers and employees.

The Issuer has established the Audit and Risk Management Committee and Internal Audit Department which report to the board of directors. Owing to the prudent risk management system the Group has established, the Group's non-performing asset ratio as at 31 December 2019, 2020 and 2021 was 1.11 per cent., 1.10 per cent. and 1.06 per cent., respectively. The assets are interest-earning.

The chart below sets forth the Group's organisation structure and reporting system for its internal risk management.



The Group has adopted the following strategies to achieve its risk management objectives:

- continue to optimise its business model, integrating it with the Group's enhanced corporate governance structure to strategically reduce systematic risks, including strategic selection of industries and sub-sectors within each industry;

- continue to remain selective in the screening of customers, based on the Group's thorough industry understanding. In 2019, the Group endeavoured to minimise risk by addressing information asymmetry regarding its customers by obtaining further information of the relevant market and the customers themselves;

- continue to strengthen the Group's risk management capabilities by taking advantage of a layered and independent risk management structure. In 2016, the Group established a collective management system covering four levels, namely the Group headquarters level, industrial group level, platform companies level and enterprise level, which strengthened collective management and control. This mitigates the increasing risks that the Group faces with its active adoption of its "finance + industry" strategy, which involves the rapid development into its main target industries such as hospital, education and engineering equipment sectors;

- continue to optimise the Group's customer evaluation model based on its extensive customer base and its deep understanding of the customers' common characteristics. The Group has implemented differentiation risk management for different industries;

- continue to utilise the Group's broad customer base and industry contacts to effectively dispose of repossessed assets due to events of default, thereby mitigating potential losses;

- continue to cultivate a strong risk management culture through rigorous implementation of the Group's risk management policies and measures, as well as company-wide senior employee training;

- continue to optimise the asset allocation and comprehensively control the asset introduction risks;

- continue to construct a strict asset monitoring system, including putting in place asset management localisation systems and enhancing internet monitoring systems, which has helped strengthened the risk prevention and mitigation; and

- continue to optimise its risk assets disposal capabilities by forming special teams to provide collective litigation support, establishing and implementing various supporting mechanisms, enhancing the efficiency of cross-department collaboration and rapidly developing the regional disposal resources.

Risk Management Procedures

The following table below sets forth the risk management measures adopted by the Group in the following nine major industries:

Healthcare.	The Group's healthcare customers generally include hospitals with a proven track record and of a satisfactory business scale. The Group controls its risk in the healthcare industry mainly by (i) stringent internal standards in selecting its healthcare customers with the aim of retaining high-quality customers with stable cash flow and strong credit ratings, and (ii) efficient process management of leased healthcare equipment through its well-developed customer management capabilities.

Culture & tourism. . . . . The Group controls its risk in the culture & tourism industry by prioritising two groups of customers: (i) the customers in the culture & tourism industry which have access to high-end scenic spots with unique monopoly tourism resources; (ii) higher-education institutions with stable enrolment rate and K-12 education institutions with rapid income growth rate and a long-term focus on education. These two groups of customers share the following favourable common characteristics: (i) ability to maintain stable cash flow; (ii) extensive financing channels and outstanding financing capabilities, which make them appear as partners for the financial institutions; and (iii) the first group of customers is the main driving force for China to increase domestic demand and local consumption, while the second group has a high degree of stability, and some of them possess more growth potential.

Engineering construction. . . . The Group controls its risk in the engineering construction industry by: (i) stringent selection of clients from reputable construction companies, which must have an operating history or management history amounting to a stipulated number of years, and with asset value reaching a required threshold; (ii) equipment management and control characterised by conducting detailed audits on customer credit diligence; and (iii) adopting strict tracking techniques to ensure asset safety.

Machinery. . . . . The Group controls its risk in the machinery industry by: (i) stringent equipment selection and controls characterised by conducting customer credit diligence; and (ii) matching the specific demands for its customers in relation to deal structure.

Chemical & medicine . . . . . . The Group controls its risks in the chemical & medicine industry by: (i) developing relationships with state-owned customers, and maintaining close relationships with current customers in the private sector with cost advantages; and (ii) prioritising a strong demand and related industry chain for the medicine industry, attracting customers with specialty raw material and those which have medicines with clinical value and remarkable efficacy, and customers with poor environmental and safety management are restricted.

Electronic information. . . . . . The Group controls its risk in the electronic information industry by: (i) conducting in-depth research on the industry; (ii) stringent internal standards in selecting customers and projects; and (iii) conducting careful and continual testing of the technologies and/or products.

Livelihood & consumption. . . The Group controls its risk in the livelihood & consumption industry by: (i) conducting in-depth research on the industry; (ii) stringent internal standards in selecting customers and projects; and (iii) conducting careful and continual testing of the technologies and/or products.

Transportation & logistics. . . The Group controls its risk in the transportation & logistics industry by: (i) for the logistic segment, stringent selection of clients from companies that have long-term establishment, stable operating capacity and relatively high credit rating; (ii) for the ship segment, stringent selection of clients as well as stringent controls on lease amounts, which generally represent 50 per cent. to 60 per cent. of the value of the vessel collateral while engaging independent firms to evaluate the remaining market value of vessels and track the value of the ship.

Urban public utility. . . . . Customers in the urban public utility sector are usually of good quality and are businesses of a large scale and are able to make timely repayment. The Group controls its risk in the urban public utility industry by: (i) stringent selection of customers according to the Group's strict internal standards and targeting highly qualified urban public companies as customers (mainly comprise urban utilities companies in the capital cities and also the ones in the cities with GDP over RMB200 billion); (ii) selecting customers that have business stability, large income and a monopoly position in the located city, provide indispensable services for the operation of the cities and continually to receive persistent large amounts of government subsidies; and (iii) ensuring customers have a stable cash flow, diversified financing sources and good repayment records of their financings in the past.

The Group has implemented its prudent risk management system across three dimensions:

Business Model Dimension

The Group's business is organised and operated with an industry-focus approach. Such a business model helps manage systematic risk through established procedures, primarily comprising: (i) a stringent selection process of suitable fundamental and sustainable industries; (ii) segmentation of suitable targeted customers; (iii) customer credit assessment and approval procedures; and (iv) portfolio monitoring and management. The Group believes these established procedures enable it to maintain relatively low overall risk.

Strategic Dimension

The Group's risk management initiatives at the strategic level are led by its CEO and senior management under the supervision of its Audit and Risk Management Committee, with the management focusing on risks arising from its strategic planning, business operations, corporate credit environment, finance and accounting, and the financial markets. The Group has established a vertical reporting procedure involving relevant functional departments in its strategic risk management system, and a monthly risk reporting framework has been established to monitor the overall risk balance at the corporate level and to regularly oversee its risk management system at strategic level.

Operational Dimension

The Group's risk management initiatives at the operational level primarily focus on the management of its credit risk (which includes risks arising from new industry selection, new customer selection and customer credit assessment and approval, as well as portfolio monitoring and management), operational risk, liquidity risk and interest rate risk. The Group has organised its credit, strategy, asset management and finance departments to organise a joint assessment group to carry out market testing, verification steps and a period of pilot assessment before initiating any new industry projects. If any risks are identified during that period, the particular business project will not go ahead. The Group has established "three lines of defence" at the operational level, mainly:

- in terms of credit risk and operational risk management, the Group has been: (i) controlling project risks by ensuring strict adherence to internal credit facility standards and preliminary screening guidelines; (ii) assessing credit risks of new customers and projects through standardised credit evaluation procedures before entering into any business contract; (iii) strengthening its internal authorisation and approval policies and procedures; and (iv) instituting effective supervision and monitoring measures during post-transaction asset monitoring and management;

- in terms of liquidity risk management, the Group has been prudently managing its balance sheet to match the maturity periods of its assets and liabilities; and

- in terms of interest rate risk management, the Group has been hedging its interest rate risk by matching its lease pricing mechanisms with interest on its borrowings.

In addition, the Group has established an independent internal audit department which oversees its risk management system. It reports directly to the audit committee of the Group on a regular basis and performs independent audits of the reasonableness, completeness and effectiveness of its operational management and risk controls.

INFORMATION TECHNOLOGY

The Group's information technology ("**IT**") systems are integral to many aspects of its business operations, including transaction processing, quality control, risk management, customer services and financial management. The Group has adopted a number of advanced IT systems to improve the efficiency and quality of its services and to further strengthen its risk and financial management capabilities.

The Group may face IT risks arising from the malfunction of its IT systems on which its operations significantly rely. The Information Management Department is responsible for managing and controlling its IT risks. The Group manages its IT risks in terms of information technology governance, information system formulation, system maintenance and information security. The Group has established an IT team, consisting of approximately 416 employees as at 31 December 2021, with extensive IT knowledge and experience, to design its IT systems and to supervise implementation of IT related rules and measures. The Group has also formulated and implemented a series of internal rules to regulate information system governance measures, procedures and tools, inspection of its internet environment and equipment maintenance, and information safety strategies, anti-virus protection and internet controls. The Group has also established an internal back-up IT system at its operation centre in Shanghai.

INSURANCE

As at 31 December 2021, the Group maintains a range of insurance coverage on its fixed assets underlying its leases. The Group maintains asset insurance for the assets underlying its leases to cover any loss or damage to such assets during the leasing period. In line with common market practice, the Group usually does not maintain asset insurance for assets from hospitals and universities. The insurance payments are generally paid by its customers in line with leasing industry practice and the Issuer is usually the beneficiary of such insurance.

The Group also carries property insurance and cargo transportation insurance coverage for its trade business. In addition, the Group maintains directors, and officers' liability insurance coverage. The Group provides social security insurance for its employees as required by PRC social security regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. The Group does not have any business interruption insurance, which is not required under PRC laws and regulations.

INTELLECTUAL PROPERTY

The Issuer conducts its business under the "Far East Horizon" and "遠東宏信" brand names. It is the registered owner of the domain name of its website: www.fehorizon.com. It does not license any of its intellectual property rights to any third parties.

EMPLOYEES

As at 31 December 2021, the Group had 23,257 full-time employees, an increase of 1,585 full-time employees as compared to 21,672 as of 31 December 2020. The Group believes that it has a high-quality workforce with specialised industry expertise, with approximately 35.5 per cent. of its employees having bachelor's degrees and above, and approximately 7.6 per cent. having master's degrees and above as at 31 December 2021. More than half of the Group's key employees have an average experience of over nine years within the relevant target industry.

The Group has established effective employee incentive schemes to correlate the remuneration of its employees with their overall performance and contribution to the Issuer rather than operational results and has established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional classification. The senior employees of the Group are reviewed every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their supervision.

Training and Development

The Group places great emphasis on the training and development of its employees. The Group has developed a series of training courses with individualised emphasis and focus based on its accumulated industry experience over the ten years since the Group entered the financial leasing market. The Group invests in continuing education and training programmes for its management staff and other employees with a view to constantly upgrading their skills and knowledge. The Group has arranged for internal and external professional training programmes to develop its employees' skills and knowledge. These programmes include further educational studies, fundamental economics and finance knowledge and skills training and professional development courses for its management personnel. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties, and they are also required to participate in a one-year mentoring programme to learn closely from other experienced employees with outstanding performance.

Employee Relations

Neither of the Issuer nor the Group has experienced any strikes or significant labour disputes which have materially affected its operations, and it considers its relations with the employees to be good.

In accordance with PRC regulations, the Group has established an employee labour union, in which all of its employees are eligible for participation. The labour union organises various activities for its employees, such as charity fund raising activities to help employees in poor economic condition due to serious illnesses. The Group also provides financial assistance to its new college graduate employees who need funds for renting apartments in Shanghai. The labour union has established a labour dispute committee to assist its employees in dealing with their potential labour disputes with the Issuer.

Employee Benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under the PRC regulations. As at 31 December 2021, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to Group rather than operating results, and have established a merit-based remuneration awards system. Employees are promoted, not only in terms of position and seniority, but also in terms of professional classification. Our senior employees are reviewed every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their charge.

With a view of promoting the Group to establish and complete the medium-to long-term stimulation and restriction system for fully arousing the enthusiasm of the management, attracting and retaining the excellent management talents, and effectively integrating the interests of shareholders, the Issuer adopted a share option scheme (the "**2014 Share Option Scheme**") on 7 July 2014. Since the total share options under the 2014 Share Option Scheme had been fully granted, on 5 June 2019, the Issuer adopted a new share option scheme (the "**2019 Share Option Scheme**") to incentivise and reward the selected participants thereunder. The Issuer also adopted a restricted share award scheme (the "**2014 Restricted Share Award Scheme**") on 11 June 2014 and made certain amendments to such scheme on 2 June 2016 and 20 March 2019.

2014 Share Option Scheme

The purpose of the 2014 Share Option Scheme is to incentivise and reward selected participants (i.e., senior and middle management personnel, as well as other key employees of the Issuer or any subsidiary of the Issuer) for their contribution to the Group and to align their interests with that of the Issuer so as to encourage them to work towards enhancing the value of the Issuer. The eligibility of the selected participants will be decided by the Directors or the administration committee of such scheme, at its respective absolute discretion, as to his contribution to the Issuer or any of its subsidiaries. The 2014 Share Option Scheme is valid for 10 years from 7 July 2014, the date of its adoption. The maximum number of new shares in respect of which options may be granted under the 2014 Share Option Scheme will not exceed 4 per cent. of the Issuer's issued share capital as at the date of approval of the 2014 Share Option Scheme by the Shareholders, which is 131,696,000 shares. The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1 per cent. of the issued share capital of the Issuer from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the listing rules of the HKSE and the rules of the 2014 Share Option Scheme.

2019 Share Option Scheme

The purpose of the 2019 Share Option Scheme is to incentivise and reward selected participants (i.e. senior and middle management personnel, as well as other key employees of the Issuer or any subsidiary of the Issuer) for their contribution to the Group and to align their interests with that of the Issuer so as to encourage them to work towards enhancing the value of the Issuer. The eligibility of the selected participants will be decided by the Directors or the administration committee of such scheme, at its respective absolute discretion, as to his contribution to the Issuer or any of its subsidiaries. The 2019 Share Option Scheme is valid for 10 years from 5 June 2019, the date of its adoption. The maximum number of new shares in respect of which options may be granted under the 2019 Share Option Scheme will not exceed 4 per cent. of the Issuer's issued share capital as at the date of approval of the 2019 Share Option Scheme by the Shareholders, which is 158,167,904 shares. The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1 per cent. of the issued share capital of the Issuer from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the listing rules of the HKSE and the rules of the 2019 Share Option Scheme.

2014 Restricted Share Award Scheme

In July 2020, the Issuer granted 37,485,793 shares to certain qualified participants (the "**Selected Grantees**") under the 2014 Restricted Share Award Scheme. Under the 2014 Restricted Share Award Scheme, restricted shares (the "**Restricted Shares**") will be held on trust for the grantees until such Restricted Shares are vested with the relevant selected grantees in accordance with the rules of the 2014 Restricted Share Award Scheme. As at 31 December 2021, the Issuer granted an aggregate of 334,512,097 shares under the 2014 Restricted Share Award Scheme.

PROPERTIES

As at 31 December 2021, the Group has not obtained the property ownership certificates for six buildings with a total net book value of RMB737,197,000, but was in the process of applying for the property ownership certificates for the above buildings.

ENVIRONMENTAL COMPLIANCE

As a financial service provider, the Group is not subject to any significant environmental regulation. It does not currently have any environmental liabilities and does not expect to incur any environmental liabilities that could have any material impact on its financial condition or business operations in the future.

LEGAL PROCEEDINGS

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its operations. A majority of these legal proceedings involve claims initiated by it to recover payment of leasing receivables from its customers.

As at 31 December 2021, no legal proceeding was initiated by any third party against the Group as a defendant which could have a material adverse effect on the financial condition, prospects or results of operations of the Issuer or the Group, or which are otherwise material in the context of the issue of the Instruments under the Programme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the entities or individuals who had an interest or short positions in the shares and underlying shares of the Issuer as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (the "**SFO**") were as follows:

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares[1]	Approximate percentage of interest
Sinochem Capital Investment Management (Hong Kong) Limited[2]	Beneficial owner	919,914,440 (L)	21.32%
Sinochem Capital Investment Management Limited[2]	Interest in a controlled corporation	919,914,440 (L)	21.32%
Sinochem Corporation[2]	Interest in a controlled corporation	919,914,440 (L)	21.32%
Sinochem Group Co., Ltd.[2]	Interest in a controlled corporation	919,914,440 (L)	21.32%
The State-owned Assets Supervision and Administration Commission of the State Council[2]	Interest in a controlled corporation	919,914,440 (L)	21.32%
KONG Fanxing	Beneficial owner	61,659,251 (L)[3]	1.42%
	Interest in a controlled corporation	778,081,062 (L)[4]	18.03%
Idea Prosperous Limited[4]	Entrusted to exercise voting rights	778,081,062 (L)	18.03%
JPMorgan Chase & Co.	Interest in a controlled corporation	85,900,251 (L)	1.99%
		74,442,401 (S)	1.72%
	Investment manager	100,000 (L)	0.00%
	Person having a security interest in shares	44,404,324 (L)	1.02%
	Approved lending agent	324,538,915 (P)	7.52%
Cathay Financial Holding Co., Ltd.	Beneficial owner	318,400,000 (L)	7.38%
Aim Future Limited[5]	Interest in a controlled corporation	505,844,000 (L)	11.72%
Gold Stone Enterprise Limited[5]	Interest in a controlled corporation	505,844,000 (L)	11.72%
Cantrust (Far East) Limited[5]	Trustee	505,844,000 (L)	11.72%
UBS Group AG	Interest in a controlled corporation	463,198,565 (L)	10.73%
Sunshine Trust Company Limited[6]	Trustee	272,237,062 (L)	6.31%
LIU Haifeng David	Interest in a controlled corporation	365,842,100 (L)[7]	8.48%
Capital Rise Limited[7]	Beneficial owner	314,775,100 (L)	7.29%
Capital Bridge Limited[7]	Interest in a controlled corporation	364,775,100 (L)	8.45%
DCP Capital Partners L.P.[7]	Interest in a controlled corporation	364,775,100 (L)	8.45%
DCP General Partner, Ltd[7]	Interest in a controlled corporation	364,775,100 (L)	8.45%
DCP, Ltd.[7]	Interest in a controlled corporation	364,775,100 (L)	8.45%
Julian Juul WOLHARDT[7]	Interest in a controlled corporation	364,775,100 (L)	8.45%
HSBC Holdings plc	Interest in a controlled corporation	10,955,963 (L)	0.25%
	Trustee	505,546,637 (L)	11.71%

As at 31 December 2021, the interests or short positions of the directors and chief executives of the Issuer in the shares, underlying shares and debentures of the Issuer and any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Issuer and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), to be notified to the Issuer and the HKSE, were detailed as follows:

Name of director	**Name of corporation**	**Capacity/nature of interest**	**Total number of ordinary shares**[(1)]	**Approximate percentage of interest in the Issuer**
KONG Fanxing	The Issuer	Beneficial owner	61,659,251 (L)[(3)]	1.42%
		Interest in a controlled corporation	778,081,062 (L)[(4)]	18.03%
WANG Mingzhe	The Issuer	Beneficial owner	23,040,216 (L)[(8)]	0.53%
		Interest in a controlled corporation	365,842,100 (L)[(7)]	8.48%
LIU Haifeng David . .	The Issuer	Beneficial owner	125,000 (L)	0.00%
LIU Jialin	The Issuer	Interest of spouse	125,000 (L)	0.00%

(1) The letter "L" denotes the person's long position in the shares of the Issuer. The letter "S" denotes the person's short position in the shares of the Issuer. The letter "P" denotes the person's shares of the Issuer by approved lending agent.

(2) Sinochem Capital Investment Management (Hong Kong) Limited is 100% controlled by Sinochem Capital Investment Management Limited, which is 100% controlled by Sinochem Corporation, which is in turn controlled as to 98% by Sinochem Group Co., Ltd. Sinochem Group Co., Ltd is 100% controlled by the State-owned Assets Supervision and Administration Commission of the State Council.

(3) The interest includes 13,169,599 underlying shares in respect of the share options granted pursuant to the Issuer's 2014 Share Option Scheme, 11,076,593 underlying shares in respect of the share options granted pursuant to the Issuer's 2019 Share Option Scheme and 36,543,059 underlying shares in respect of the awarded shares granted pursuant to the Issuer's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Kong Fanxing is interested in 870,000 ordinary shares of the Issuer as at 31 December 2021.

(4) The interest includes 272,237,062 shares held directly by Idea Delicacy Limited, 40,726,000 shares held directly by Powerful Force HK Limited, 159,670,000 shares held directly by Will of Heaven HK Limited, 107,503,000 shares held directly by Swallow Gird HK Limited and 197,945,000 shares held directly by Energon HK Limited. All of them had unconditionally, irrevocably and permanently entrusted Idea Prosperous Limited, a company 100% owned by Mr. Kong Fanxing, to exercise the voting rights attached to the shares.

(5) The interest is held directly by Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited. Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited are 100% controlled by Aim Future Limited, which is in turn 100% controlled by Gold Stone Enterprise Limited. Cantrust (Far East) Limited is the trustee of The Gold Stone I Trust and holds 100% interest in Gold Stone Enterprise Limited.

(6) The interest is held directly by Idea Delicacy Limited, which is 100% controlled by Sunshine Trust Company Limited, trustee of Sunshine Trust Company Limited-Fortune Investment Fund.

(7) The interests includes (1) 1,067,000 ordinary shares of the Issuer held directly by New Trace Limited which is 100% controlled by Mr. Liu Haifeng David; (2) 314,775,100 ordinary shares of the Issuer held directly by Capital Rise Limited; and (3) 50,000,000 ordinary shares of the Issuer held directly by Capital Lead Limited. Capital Bridge Limited holds the entire share capital of Capital Rise Limited and Capital Lead Limited respectively. Capital Bridge Limited is 100% controlled by DCP Capital Partners, L.P., which is 100% controlled by DCP General Partner, Ltd, which in turn is 100% controlled by DCP Partners Limited. DCP Partners Limited is 100% controlled by DCP, Ltd., which is 50% controlled by Mr. Julian Juul Wolhardt and 50% controlled by Mr. Liu Haifeng David.

(8) The interest includes 4,220,264 underlying shares in respect of the share options granted pursuant to the Issuer's 2014 Share Option Scheme, 4,968,047 underlying shares in respect of the share options granted pursuant to the Issuer's 2019 Share Option Scheme and 13,265,905 underlying shares in respect of the awarded shares granted pursuant to the Issuer's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Wang Mingzhe is interested in 586,000 ordinary shares of the Issuer as at 31 December 2021.

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Issuer had not been notified by any person of any interest or short position in the Shares or underlying Shares of the Issuer as at 31 December 2021.

DIRECTORS

The Board of the Issuer currently consists of 11 Directors, comprising two executive Directors, five non-executive Directors and four independent non-executive Directors. The Board is responsible for leadership and control of the Issuer and oversees the Group's businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Issuer by directing and supervising its affairs. Other duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating the Issuer's annual budget and final accounts, and formulating its proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association of the Issuer.

Name	Position
NING Gaoning	Chairman and Non-executive Director
KONG Fanxing	Vice Chairman and Executive Director
WANG Mingzhe	Executive Director
YANG Lin	Non-executive Director
LIU Haifeng David	Non-executive Director
KUO Ming-Jian	Non-executive Director
John LAW	Non-executive Director
CAI Cunqiang	Independent Non-executive Director
HAN Xiaojing	Independent Non-executive Director
LIU Jialin	Independent Non-executive Director
YIP Wai Ming	Independent Non-executive Director

Mr. NING Gaoning (寧高寧), aged 63, holds a Bachelor's degree in Economics from Shandong University in China and a Master of Business Administration degree from University of Pittsburgh in the United States. Mr. Ning has been the chairman and the secretary of the Party Leadership Group of Sinochem Holdings Corporation Ltd. since April 2021. He was appointed as a non- executive director of the Issuer in March 2016.

Mr. Ning was the chairman and the secretary of the Party Leadership Group of Sinochem Group from December 2015 to April 2021. Mr. Ning served as the chairman of the board of directors of COFCO Corporation ("**COFCO**") from December 2004 to January 2016, and also served as a director of certain subsidiaries of COFCO. Before joining COFCO, Mr. Ning held various positions such as vice chairman, director and general manager at China Resources (Holdings) Company Limited and certain of its subsidiaries.

In the last five years, Mr. Ning was a non-executive director of China Agri-Industries Holdings Limited (a company previously listed on the HKSE (the then stock code: 00606), and the listing of its shares was subsequently withdrawn from the HKSE on 23 March 2020), a non-executive director of China Foods Limited (a company listed on the HKSE, stock code: 506) ("**China Foods**"), a non-executive director of CPMC Holdings Limited (a company listed on the HKSE, stock code: 906) and the chairman of the board of directors and a non-executive director of China Mengniu Dairy Company Limited (a company listed on the HKSE, stock code: 2319) until February 2016. Mr. Ning was a director of BOC International Holdings Limited, an independent non-executive director of Bank of China (Hong Kong) Limited and an independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed on the HKSE, stock code: 2388) until October 2014. Mr. Ning was also an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600743) until November 2014 and an executive director of China Foods until November 2013. Mr. Ning is currently the chairman and the party committee secretary of China National Chemical Corporation, the chairman of Syngenta Group Ltd. (先正達集團股份有限公司), Syngenta AG, Pirelli & C. S.p.A., Sinochem Corporation, China Jinmao Holdings Group Limited (a company listed on the HKSE, stock code: 817), Luxi Chemical Group Co., Ltd. and Sinochem Hong Kong (Group) Company Limited and a director of Adama Agricultural Solutions Ltd.

Mr. Ning has rich business management experience and extensive knowledge about economic activities of capital market.

Mr. KONG Fanxing (孔繁星), aged 58, is an executive director, the Vice Chairman and the Chief Executive Officer of the Issuer. Mr. Kong received an EMBA degree from Peking University in March 2005, a master's degree in Economics and a bachelor's degree in Economics from University of International Business and Economics (對外經濟貿易大學) in China in June 1991 and July 1986, respectively. Mr. Kong joined Sinochem Group in August 1991. During the period which Mr. Kong worked for Sinochem Group, he had been the general manager of Sinochem International Engineering Trade Company (中化國際工程貿易公司), the deputy general manager of Sinochem International Industrial Company (中化國際實業公司), the deputy general manager, general manager of Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司), the deputy chief of the fertiliser division of China National Chemicals Import & Export Corporation (中國化工進出口總公司), the executive deputy general manager of Sinochem International Fertilizer Trading Company (中化國際化肥貿易公司), etc., respectively. In April 2001, he joined International Far Eastern Leasing Co., Ltd (遠東國際租賃有限公司) ("**Far Eastern**") and has become the general manager since then. Mr. Kong has been the President and Chief Executive Officer of the Issuer since September 2009. Currently, Mr. Kong is also a director and the chairman of the board of directors of Horizon Construction Development Limited (宏信建設發展有限公司), the chairman and general manager of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), the chairman of Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司), the executive director and general manager of Shanghai Donghong Industrial Development Co., Ltd. (上海東泓實業發展有限公司) and Donghong Investment Co., Ltd. (東泓投資有限公司), an executive director of Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) and Far East Horizon Industrial Investment (Tianjin) Co., Ltd. (遠東宏信實業投資(天津)有限公司) and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司), etc.

Mr. Kong has over 27 years of experience in enterprise management.

Mr. WANG Mingzhe (王明哲), aged 51, is an executive director and the Chief Financial Officer of the Issuer. Mr. Wang obtained a bachelor's degree in Economics from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in China in July 1993 and an MBA degree from Northeastern University (東北大學) in China in March 2003. Mr. Wang joined Far Eastern in October 1995 and has worked there since then. In Far Eastern, Mr. Wang served as the manager of the business development department, the deputy general manager of the first business division, the deputy general manager, the general manager and assistant general manager of quality control department and the chief financial officer, etc. In September 2009, Mr. Wang was appointed as the Chief Financial Officer of the Issuer and he has held the position since then. Currently, Mr. Wang is also the general manager of operation centre of the company, a director and chief financial officer of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), the chief financial officer of Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司) and East Horizon Factoring (Tianjin) Co., Limited (遠宏商業保理(天津)有限公司), the executive director and general manager of Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司), the chief financial officer of Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) and Donghong Investment Co., Ltd. (東泓投資有限公司), the executive director and general manager of Shanghai Depeng Industrial Co., Ltd. (上海德鵬實業有限公司) and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司), etc.

Mr. Wang has over 26 years of experience in finance management.

Mr. YANG Lin (楊林), aged 58, has been a non-executive director of the Issuer since October 2009. Mr. Yang obtained a bachelor's degree in Economics from Tianjin Commerce Collage (天津商學院) in China in July 1985, and studied enterprise management course in University of Stuttgart in Germany (德國思圖加特大學) from 1990 to 1993. Mr. Yang then worked for Siemens AG and Wella AG from 1993 to 1994. In July 1994, Mr. Yang joined Sinochem Group. In Sinochem Group, Mr. Yang served as a deputy general manager of the finance department, the general manager of the treasury management department and a deputy chief financial officer, etc. He was appointed as the chief financial officer of Sinochem Group in August 2010. Mr. Yang was a non-executive director of Sinofert Holdings Limited (a company listed on the HKSE, stock code: 297) from August 2010 to November 2020.

Currently, Mr. Yang is the chief financial officer of Sinochem Holdings Corporation Ltd. (中國中化控股有限責任公司) as well as a director and chief financial officer of Sinochem Corporation. He is also the chairman of Sinochem Finance Co., Ltd., a director of Syngenta Group Ltd. (先正達集團股份有限公司), a vice chairman of Manulife-Sinochem Life Insurance Co., Ltd. (中宏人壽保險有限公司), and a director of Sinochem International Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600500) and China Jinmao Holdings Group Limited (a company listed on the HKSE, stock code: 817).

Mr. Yang has approximately 26 years of experience in finance and treasury management.

Mr. LIU Haifeng David (劉海峰), aged 52, has been a non-executive director of the Issuer since October 2009. He is the Executive Chairman of DCP. Prior to establishing DCP, Mr. Liu was a Partner of KKR, the co-head of KKR Asia Private Equity and CEO of KKR Greater China. Prior to joining KKR, Mr. Liu was a Managing Director and the co-head of Morgan Stanley Private Equity Asia. Mr. Liu has established one of the leading investment track records in Greater China over the past 27 years and was responsible for a number of successful and innovative investments, including: Ping An Group, Mengniu Dairy, Haier Electronics, China International Capital Corp, Far East Horizon, Oriental Yuhong, Dongbao Pharmaceutical, Venus Medtech, Xingsheng Preference, Simple Love Yoghurt, Nanfu Battery, COFCO Joycome, Sunner Poultry, Hotwon Network, Hengan Intl., Belle Intl., Modern Dairy, United Envirotech, and Yuehai Feed. Mr. Liu is an Advisory Director of the Private Equity Investment Fund Committee of the Asset Management Association of China (AMAC) and the Chairman of the China Venture Capital and Private Equity Association (CVCA). Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University. "KKR" as defined in this paragraph means Kohlberg Kravis Roberts & Co. L.P. together with its affiliates. Mr. Liu was a non-executive director for Sunpower Group (a company listed on the Singapore Exchange, stock code: 5GD) from November 2017 to February 2022.

Mr. KUO Ming-Jian (郭明鑑), aged 60, was appointed as a non-executive director of the Issuer in March 2013. Mr. Kuo is currently the Chairman of Cathay United Bank and a director of Cathay Financial Holding Co., Ltd. (a company listed in Taiwan, stock code: 2882). He took the roles as Vice Chairman, Senior Managing Director and Senior Advisor of Blackstone Group L.P. (a company listed on the New York Stock Exchange, NYSE: BX), Great China during 2007 to 2018. Before joining Blackstone Group L.P., Mr. Kuo was a Partner and Co-Vice Chairman and Managing Director, Head of Greater China in H&Q Asia Pacific. Before that, Mr. Kuo was also the Head and Country Head of Investment Banking for JPMorgan Chase & Co (a company listed on the New York Stock Exchange, NYSE: JPM) in Hong Kong and the Vice Chairman of JPMorgan Chase & Co's Greater China Operating Committee. Mr. Kuo was an independent non-executive director of Cathay Financial Holdings Co., Ltd. and Cathay Life Insurance Co., Ltd.

Mr. Kuo is also an independent non-executive director of Samson Holding Limited (a company listed on the HKSE, stock code: 0531), a director of Long Chen Paper & Packing Co., Ltd. (a company listed in Taiwan, stock code: 1909) and an independent director of Huali Industrial Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300979).

Mr. Kuo received his undergraduate degree from Fu-Jen Catholic University and holds an MBA degree from City University of New York.

Mr. John LAW (羅強), aged 71, was appointed as a non-executive director of the Issuer on 25 October 2012. Mr. Law worked for J.P. Morgan & Co. as training head of Asia Pacific Region, as risk manager for Greater China Region and as senior credit officer for Asia Pacific Region, Euroclear respectively. He then worked for Citigroup (a company listed on the New York Stock Exchange, NYSE: C) from August 2000 to November 2003 as the regional credit officer for Asia Pacific Financial Markets. Prior to joining the Issuer, he worked for International Finance Corporation from March 2004 to September 2012 as the principal banking specialist for global financial markets. Mr. Law is currently a non-executive director of Rizal Commercial Banking Corporation (a company listed on the Philippine Stock Exchange, stock code: RCB).

Mr. Law holds a master degree in business administration (finance) from Indiana University in USA and has more than 32 years' experience in finance.

Mr. CAI Cunqiang (蔡存強), aged 72, was appointed as an independent non-executive director of the Issuer in March 2011. Mr. Cai graduated from Shanghai Maritime College (上海海運學院) (now known as Shanghai Maritime University (上海海事大學)) in 1977, and worked for that college since then. He was promoted to be a deputy professor in 1993 and later a professor in 1995. In 2001, Mr. Cai became the deputy dean of Shanghai Maritime College and was awarded the special government allowance by the State Council. Currently, Mr. Cai is a lawyer in Shanghai Yingtai Law Firm (上海瀛泰律師事務所) and an arbitrator of China Maritime Arbitration Commission (中國海事仲裁委員會).

Mr. Cai is admitted to practicing law in the PRC. Mr. Cai has 44 years of experience in the shipping industry.

Mr. HAN Xiaojing (韓小京), aged 67, was appointed as an independent non-executive director of the Issuer in March 2011. From 1986 to 1992, Mr. Han worked at China Law Center (中國法律事務中心). During the same period, he spent three and a half years at Zimmerman Lawyers (默爾曼律師事務所) in Canada and Livasiri & Co. (廖綺雲律師事務所) in Hong Kong for study. In 1992, Mr. Han was involved in the establishment of Commerce & Finance Law Offices (北京市通商律師事務所), and has been a partner there ever since. Mr. Han is admitted to practicing law in the PRC and has 35 years of experience in the legal profession.

Currently, Mr. Han is an independent non-executive director of Sino-Ocean Group Holdings Limited (遠洋集團控股有限公司) (a company listed on the HKSE, stock code: 3377) and Vital Innovations Holdings Limited (維太創科控股有限公司) (a company listed on the HKSE, stock code: 6133). He also serves as a supervisor of Ping An Bank Company Limited (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000001).

Mr. LIU Jialin (劉嘉凌), aged 59, was appointed as an independent non-executive director of the Issuer in March 2011. From 1992 to 2007, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong. Currently, Mr. Liu is the managing director of Cinda International Asset Management Limited (信達國際資產管理有限公司) and an independent non-executive director of Horizon Construction Development Limited (宏信建設發展有限公司). Mr. Liu has 33 years of experience in finance and securities industry.

Mr. Liu also serves as an independent non-executive director of Changyou Alliance Group Limited (a company listed on the HKSE, stock code: 1039).

Mr. Liu obtained a bachelor's degree in science from Peking University and a degree of Master of Science in physics from Massachusetts Institute of Technology.

Mr. YIP Wai Ming (葉偉明), aged 57, was appointed as an independent non-executive director of the Issuer in March 2011. Mr. Yip graduated from the University of Hong Kong (香港大學) with a bachelor of social sciences degree in November 1987. He also obtained a degree of bachelor of laws from the University of London (倫敦大學) in August 2001. Mr. Yip started his career in Ernst & Young in 1987, and was a senior manager at the time of his departure in 1996. From 1996 to 2010, Mr. Yip served as an associate director in ING Bank N.V., the chief financial officer in Fulbond Holdings Limited (福邦控股有限公司), the vice president of Hi Sun Technology (China) Limited (高陽科技(中國)有限公司) (a company listed on the HKSE, stock code: 0818), the chief financial officer of Haier Electronics Group Co., Ltd. (海爾電器集團有限公司) (a company listed on the HKSE, stock code: 1169) and the deputy general manager of Yuzhou Properties Company Limited (禹州地產股份有限公司) (a company listed on the HKSE, stock code: 1628), etc., respectively. Currently, Mr. Yip is an independent non-executive director of Ju Teng International Holdings Limited (巨騰國際控股有限公司) (a company listed on the HKSE, stock code: 3336), Pax Global Technology Limited (百富環球科技有限公司) (a company listed on the HKSE, stock code: 0327), Poly Culture Group Corporation Limited (保利文化集團股份有限公司) (a company listed on the HKSE, stock code: 3636), Yida China Holdings Limited (億達中國控股有限公司) (a company listed on the HKSE, stock code: 3639), and Huobi Technology Holdings Limited (火幣科技控股有限公司) (a company listed on the HKSE, stock code: 1611) and Peijia Medical Limited (沛嘉醫療有限公司) (a company listed on the HKSE, stock code: 9996).

Mr. Yip is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants.

Mr. Yip has over 30 years of experience in accounting and finance.

TAXATION

The following is a general description of certain tax considerations relating to the Instruments and is based on law, published practice and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change (which could be made on a retroactive basis), and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations which may be relevant to a decision to purchase, own or dispose of any Instrument. Prospective holders of the Instruments who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of payments of principal or distribution on the Securities or in respect of any capital gains arising from the sale of the Instruments.

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 and distribution on the Securities (to the extent treated as interest) may be subject to profits tax in Hong Kong in the following circumstances:

(i) interest on the Notes and distribution on the Securities are derived from Hong Kong and are received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes and distribution on the Securities are derived from Hong Kong and are received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and are in respect of the funds of that trade, profession or business;

(iii) interest on the Notes and distribution on the Securities are received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of the Laws 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 and distribution on the Securities are received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes or Instruments may be subject to 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 the Notes or Instruments may be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes or Instruments may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes or Instruments are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes, **provided that** either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of 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 Instruments. Stamp duty may be payable on any transfer of Registered Instruments if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Instruments, **provided that** either:

(i) such Registered Instruments 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 Instruments constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Instruments, 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 Instruments if the relevant transfer is required to be registered in Hong Kong.

PRC TAXATION

The following summary describes the principal PRC tax consequences of ownership of the Instruments 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 or Securityholders in this section. In considering whether to invest in the Instruments, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes imposed during the taxable year beginning on or after 1 January 2008.

Pursuant to the Enterprise Income Tax Law which came effect on 29 December 2018 (the "**New EIT Law**") and its implementation regulations, enterprises that are established under laws of foreign countries and regions (for the purposes of the New EIT Law, including Hong Kong, Macau and Taiwan) but whose "de facto management body" is within the territory of China shall be treated as PRC tax resident enterprises for the purpose of the New EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC.

As confirmed by the Issuer, as of the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of the New EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the New EIT Law and related implementation regulations in the future.

Pursuant to the New EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or its income have no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent., subject to the application of any relevant income tax treaty that the PRC has entered into, on the income sourced inside the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. 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 shall withhold income tax from the payments of interest or distribution (as applicable) in respect of the Instruments for any non-PRC enterprise Noteholder or Securityholder. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Instruments so that holders of the Instruments would receive the full amount of the scheduled payment, as further set out in the Conditions.

Non-PRC Noteholders and Securityholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of the Instruments consummated outside mainland China between non-PRC Noteholders and Securityholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the New EIT Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Noteholders and Securityholders from the transfer of the Instruments may be regarded as being derived from sources within the PRC and accordingly would be subject to PRC withholding tax at a rate of up to 10 per cent., subject to the application of any relevant income tax treaty that the PRC has entered into.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders or Securityholders as the case may be, is maintained outside China) of an Instrument.

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 Instruments (including secondary market transactions) in certain circumstances. The issuance and subscription of Instruments should, however, be exempt.

Under the Commission's Proposal the FTT could apply, in certain circumstances, to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of Instruments are advised to seek their own professional advice in relation to the FTT.

PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Instruments. Prospective holders of the Instruments who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions.

Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified and trades through e-commerce can also be settled in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The PBOC also permit enterprises in the China (Shanghai) Free Trade Pilot Zone ("**Shanghai FTZ**") to establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pooling programme. In November 2016, PBOC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cash.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Previously, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms, foreign enterprises are now permitted use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In January 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

BOOK-ENTRY CLEARANCE PROCEDURE

The information set out below has been obtained from the Clearing Systems (as defined herein) and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, DTC or the CMU (together, the "Clearing Systems") currently in effect, and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each series of Instruments.

THE CLEARING SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in Global Notes and Global Certificates directly through Euroclear or Clearstream if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Distributions of principal with respect to book-entry interests in the Instruments held through Euroclear or Clearstream will be credited, to the extent received by the Issuing and Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

DTC

DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly. Investors may hold their interests in a Global Certificate directly through DTC if they are participants ("**Direct Participants**") in the DTC system, or indirectly through organisations which are participants in such system ("**Indirect Participants**" and together with Direct Participants, "**Participants**").

CMU

The CMU is a central depository service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority ("**HKMA**") for the safe custody and electronic trading between the members of this service ("CMU Members") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and of capital markets instruments (together, the "**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available for CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as an agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

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

An investor holding an interest through an account with either Euroclear or Clearstream, in any Instrument held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

BOOK-ENTRY OWNERSHIP

Bearer Notes

In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian with the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of Euroclear, Clearstream and the CMU. Each Global Note will, where applicable, have an International Securities Identification Number ("**ISIN**") and/or a Common Code or a CMU Instrument Number. Investors in Notes of such series may hold their interests in a Global Note only through Euroclear, Clearstream or the CMU, as the case may be.

Registered Instruments

Each Global Certificate deposited with a common depositary for Euroclear and/or Clearstream will, where applicable, have an ISIN and/or a Common Code or, if lodged with a sub-custodian for the CMU, will have a CMU Instrument Number. Investors in Instruments of such series may hold their interests in an Unrestricted Global Certificate only through Euroclear or Clearstream or the CMU, as the case may be.

The Issuer and the Issuing and Paying Agent may make applications to DTC for acceptance in its book-entry settlement system of Registered Instruments represented by each Restricted Global Certificate. Each Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Instruments, as set out under "*Transfer Restrictions*". In certain circumstances, as described below in "Transfers of Registered Instruments", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian, with whom the Restricted Global Certificates are deposited (the "**Custodian**"), and DTC will electronically record the nominal amount of the Registered Instruments held within the DTC system. Investors may hold their interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Individual Definitive Certificates

Registration or title to Registered Instruments in a name other than a depositary for Euroclear and Clearstream, CMU or DTC will not be permitted unless (i) in the case of Registered Instruments issued pursuant to Rule 144A, DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Instruments, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, or (ii) (in the case of Registered Instruments issued pursuant to Regulation S deposited with a common depositary for Euroclear and Clearstream or CMU) Euroclear, Clearstream or CMU is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholder(s) or Securityholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Rule 144A Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

PAYMENTS AND RELATIONSHIP OF PARTICIPANTS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream or DTC, as the holder of an Instrument represented by a Global Note or a Global Certificate, must look solely to Euroclear, Clearstream or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note or Global Certificate and in relation to all other rights arising under the Global Note or Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Instruments represented by a Global Note or a Global Certificate, the common depositary by whom such Instrument is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note or Global Certificate (as the case may be) as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by direct participants in any Clearing System to owners of beneficial interests in any Global Note or Global Certificate held through such direct participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Note or Global Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note or Global Certificate 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 Issue 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 Instruments, directed or deemed by the CMU as entitled to receive payments in respect of Instruments represented by such Global Note (if applicable) 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 Instruments represented by such Global Note (if applicable) 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.

TRANSFERS OF REGISTERED INSTRUMENTS

Transfers within Clearing Systems

Transfers of interests in Global Certificates within Euroclear, Clearstream, DTC or the CMU will be in accordance with the usual rules and operating procedures of the relevant Clearing System. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. As DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate in respect of such interest.

Transfers between Clearing Systems

Beneficial interests in an Unrestricted Global Certificate may be held only through Euroclear or Clearstream or the CMU. Transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Instruments, **provided that** any such transfer made on or prior to the expiration of the distribution compliance period (defined as 40 days after completion of the distribution of any identifiable Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Instruments issued on a syndicated basis, to the Issuer and the Issuing and Paying Agent by the relevant Dealers) relating to the Instruments represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer of the Instruments represented by such Unrestricted Global Certificate made thereafter will only be made upon request through Euroclear or Clearstream by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent or its agent and receipt by the Issuing and Paying Agent or its agent of details of that account at DTC to be credited with the relevant interest in the Rule 144A Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a Certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream, DTC or the CMU, as the case may be, to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Instruments described above and under "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream or the CMU accountholders on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of the Instruments of such Series between accountholders in Euroclear and Clearstream and/or the CMU and transfers of the Instruments of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T + 3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream or the CMU and DTC participants will need to have an agreed settlement date between the parties to such transfer. As there is no direct link between DTC, on the one hand, and Euroclear and Clearstream and the CMU, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent or its agent, the Custodian and the Registrar receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer, and (ii) two business days after receipt by the Issuing and Paying Agent or its agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear, Clearstream or the CMU accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on the transfer of Registered Instruments, see "*Transfer Restrictions*".

DTC PROCEDURES

DTC will take any action permitted to be taken by a holder of Registered Instruments (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose accounts with DTC, an interest(s) in Restricted Global Certificates is (are) credited, and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual Definitive Certificates (which will, in the case of Registered Instruments issued pursuant to Rule 144A, bear the legend applicable to transfers pursuant to Rule 144A).

Although Euroclear, Clearstream, DTC and the CMU have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of Euroclear, Clearstream, DTC and the CMU, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Issuing and Paying Agent or any other agent will have any responsibility for the performance by Euroclear, Clearstream, DTC or the CMU or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Registered Instruments issued pursuant to Rule 144A represented by individual Definitive Instruments will not be eligible for clearing or settlement through Euroclear, Clearstream, DTC or the CMU.

TRANSFER RESTRICTIONS

The Instruments have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction, and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Instruments are being offered and sold only (1) to QIBs in compliance with Rule 144A under the Securities Act, and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Instruments.

RESTRICTED INSTRUMENTS

Each purchaser or transferee of a Restricted Instrument (or beneficial interests therein), by purchasing and accepting delivery of such Instruments or beneficial interest therein, will be deemed to have represented, agreed and acknowledged that:

1. It and each person for which it is acting is: (a) a QIB; (b) aware, and each beneficial owner of such Instruments has been advised, that the sale of such Instruments to it is being made in reliance on Rule 144A; and (c) acquiring such Instruments for its own account or for the account of a QIB.

2. It understands and agrees that such Instruments (or beneficial interests therein) have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except: (a) pursuant to a registration statement that has been declared effective under the Securities Act; (b) in reliance on Rule 144A to a person who the seller reasonably believes is a QIB purchasing for its own account or for the account of one of more QIBs; (c) outside the United States, in an offshore transaction in accordance with Regulation S; (d) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available); or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws including the securities laws of any state of the United States.

3. It acknowledges that the Instruments offered and sold hereby in the manner set forth above are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Instruments.

4. It understands and agrees that any purported transfer of such Instruments (or a beneficial interest therein) to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void *ab initio*.

5. It understands that such Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with such applicable law, will bear a legend to the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT: (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT; (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL

BUYER IN ACCORDANCE WITH RULE 144A; (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT; (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (5) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

It understands that such Securities, unless otherwise agreed between the Issuer and the Trustee in accordance with such applicable law, will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT: (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT; (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (WITHIN THE MEANING OF RULE 144A) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A; (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT; (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (5) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY.

6. It agrees that it will give to each person to whom it transfers any Instrument notice of any restrictions on the transfer of such Instruments.

7. If it is acquiring any Instrument for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgements, representations and agreements on behalf of each such account. The Issuer, the Arrangers, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

8. It understands that the Instruments offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

9. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such purchaser and those persons, if any, retained to advise such purchaser with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Prospective purchasers or transferees are hereby notified that sellers of the Instruments may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.

UNRESTRICTED INSTRUMENTS

Each purchaser or transferee of any Unrestricted Instruments (or beneficial interest therein) will be deemed to have represented, warranted, acknowledged and agreed that:

1. It understands that the Instruments have not been and will not be registered under the Securities Act, and such Instruments are being offered and sold in accordance with Regulation S.

2. It is, or at the time the Instruments are purchased will be, the beneficial owner of such Instruments and: (i) it is purchasing the Instruments in an offshore transaction (within the meaning of Regulation S); and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

3. The Issuer, the Registrar, the Arrangers, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

SUBSCRIPTION AND SALE

The Arrangers and the Dealers have agreed, in an amended and restated programme agreement (the "**Programme Agreement**") dated 13 July 2022, with the Issuer on a basis upon which they or any of them may from time to time agree to purchase Instruments. Any such agreement will extend to those matters stated under "*Form of the Instruments*" and "*Terms and Conditions of the Notes*" and "*Terms and Conditions of the Securities*". In the Programme Agreement, the Issuer has agreed to reimburse the Arrangers and the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Instruments under the Programme and to indemnify the Arrangers and the Dealers against certain liabilities incurred by them in connection therewith.

The relevant Arrangers and Dealers and certain of their respective affiliates may have performed certain investment banking and advisory services for the Issuer and/or its 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 and/or its affiliates in the ordinary course of their business.

The relevant Arrangers and Dealers and certain of their respective affiliates may trade the Instruments and be allocated Instruments for asset management and/or proprietary purposes.

The relevant Arrangers and Dealers or certain of their respective affiliates may act as investors and place orders, receive allocations and trade the Instruments for their own accounts and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Instruments and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Instruments 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 Instruments to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Instruments) and such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Instruments may be impacted. Furthermore, it is possible that a significant proportion of the Instruments 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 Instruments may be constrained. The Issuer, the relevant Arrangers and Dealers and certain of their respective affiliates are under no obligation to disclose the extent of the distribution of the Instruments amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In connection with the issue of the Instruments, 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) in the relevant Pricing Supplement may, to the extent permitted by applicable laws and directives, over-allot Instruments or effect transactions with a view to supporting the price of the Instruments at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the relevant Dealers.

GENERAL

Each of the Arrangers and the Dealers has severally and not jointly agreed and each dealer further appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Instruments or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Instruments under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any other Arranger or Dealer shall have any responsibility therefor.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

None of the Issuer, the Trustee, the Arrangers, nor any of the Dealers represents that Instruments 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 any such sale.

With regard to each Tranche, the relevant Arranger or Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Arranger or Dealer and set out in the applicable Pricing Supplement.

Each of the Arrangers and the Dealers has severally and not jointly acknowledged (and each dealer further appointed under the Programme will be required to acknowledge) that the Instruments have not been and will not be registered under the Securities Act and severally agreed (and each dealer further appointed under the Programme will be required to agree) that they may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Arrangers and the Dealers has severally represented and agreed and each dealer further appointed under the Programme will be required to represent and agree that it has not offered or sold, and will not offer or sell, any Instrument constituting part of its allotment within the United States except: (1) to persons it reasonably believes to be QIBs (as defined in Rule 144A) in transactions meeting the requirements of Rule 144A or other exemption(s) from registration under the Securities Act; or (2) in accordance with Rule 903 of Regulation S.

Each of the Arrangers and the Dealers has severally and not jointly represented and agreed and each dealer further appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates (within the meaning of Rule 50 1(b) under the Securities Act) has offered or sold or will offer or sell the Instruments in the United States by means of any: (1) general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act, or any other conduct involving a public offering within the meaning of Section 4(2) of the Securities Act; or (2) directed selling efforts within the meaning of Rule 902 under the Securities Act.

UNITED STATES OF AMERICA

The Instruments have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act.

Each of the Arrangers and the Dealers has agreed that, and each dealer further appointed under the Programme will be required to agree that, save as permitted by the Programme Agreement, it will not offer, sell or deliver the Instruments outside the United States except in accordance with Regulation S, or within the United States to QIBs except in reliance on Rule 144A. Any offers and sales in the United States will be conducted by broker-dealers registered with the SEC.

In addition, until 40 days after the commencement of the offering of Instruments, an offer or sale of Instruments within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A or another available exception from registration under the Securities Act.

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Instrument specifies "Prohibition of Sales to EEA Investors" as "Not Applicable", each of the Arrangers and the Dealers 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 Instrument 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 MiFID II; or

  (ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

If the Pricing Supplement in respect of any Instrument specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "**Relevant State**"), each of the Arrangers and the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of any Instrument which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Instruments to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, **provided that** any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Instruments referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 16 of the Prospectus Regulation.

For the purposes of the provisions of this provision, the expression an "offer of Instruments to the public" in relation to any Instrument in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Instrument specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instrument 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 UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;

  (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 UK MiFIR;

  (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 Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

PUBLIC OFFER SELLING RESTRICTIONS UNDER THE UK PROSPECTUS REGULATION

If the Pricing Supplement in respect of any Instrument specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the UK except that it may make an offer of such Instruments to the public in the UK:

(a) if the Pricing Supplement in relation to the relevant Instrument specifies that an offer of those Notes may be made other than pursuant to Section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Instrument which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of any Instrument referred to in (b) to (d) shall require the Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Instruments to the public**" in relation to any Instrument means the communication in any form and by any means of sufficient information on the terms of the offer and the Instrument to be offered so as to enable an investor to decide to purchase or subscribe for the Instrument and the expression "**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.

UNITED KINGDOM

Each of the Arrangers and the Dealers has represented and agreed, and each dealer further 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 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 FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instrument in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; 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 Instrument in, from or otherwise involving the United Kingdom.

THE NETHERLANDS

Each of the Arrangers and Dealers has represented and agreed, and each dealer further appointed under the Programme will be required to represent, warrant and agree, that Instruments will only be offered in the Netherlands to Qualified Investors (as defined in the Prospectus Regulation), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

PRC

Each of the Arrangers and the Dealers has represented, warranted and agreed, and each dealer further appointed under the Programme will be required to represent, warrant and agree, that the Instruments are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong, Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws and regulations of the People's Republic of China.

HONG KONG

In relation to each Tranche of Instruments issued by the Issuer, each of the Arrangers and the Dealers has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instrument (except for Instruments which are a "structured product" as defined in the SFO) other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Instruments, 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 Instruments 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 that Ordinance.

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 (MAS). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Instrument or caused the Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell any Instrument or cause the Instruments 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 Instruments, 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 2001 of Singapore (2020 Revised Edition), 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 Instruments 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 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 Instruments pursuant to an offer under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) pursuant to Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

JAPAN

The Instruments 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**"). Accordingly, each of the Arrangers and the Dealers has represented and agreed, and each dealer further appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instrument in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA, and other relevant laws and regulations of Japan.

TAIWAN

The Instruments have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan, the Republic of China ("**Taiwan**") and/or other regulatory authority pursuant to relevant securities laws and regulations and may not be offered, issued or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission and/or other regulatory authority of Taiwan.

MACAU

Each of the Arrangers and the Dealers has represented and agreed, and each dealer further appointed under the Programme will be required to represent and agree, that the Instruments may not be promoted, distributed, sold or delivered in the Macau Special Administrative Region of the People's Republic of China ("**Macau**"), or any document relating to the Instruments be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Instruments in Macau. The Instruments are not registered or otherwise authorised for public offer under the Financial System Act of Macau and thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

FORM OF PRICING SUPPLEMENT OF THE NOTES

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of:(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); [or] (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**"). 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 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement [Directive (EU) 2016/97/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 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/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.]

[**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.][1]

[1] Only to be included if one or more of the parties is deemed to be a MiFID manufacturer.

[**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][2]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (2020 Revised Edition) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) 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).]

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

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

The 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 Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer 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.

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

[*Date*]

Far East Horizon Limited

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*] due [●]
under its U.S.$4,000,000,000 Medium Term Note and Perpetual Securities Programme

[2] Only to be included if one or more of the parties is deemed to be a UK MiFIR manufacturer.

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 (the "**Conditions**") set forth in the Offering Circular dated 13 July 2022. 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 and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

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

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote 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.	Issuer:	Far East Horizon Limited
2.	[(i)] Series Number:	[●]
	[(ii) Tranche Number:	[●] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*]
3.	Specified Currency or Currencies:	[●]
4.	Aggregate Nominal Amount:	
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]
5.	[(i)] Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (in the case of fungible issues only, if applicable)]
	[(ii) Net Proceeds:	[●] (*Required only for listed issues*)]
	[(iii) Use of Proceeds:	[●] (*give details if different from the "Use of Proceeds" section in the Offering Circular*)]

6. (i) Specified Denominations[3]:	[●]
(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)	*(N.B. Where Bearer Notes with multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:* *"€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".)* *(N.B. If an issue of Notes is: (i) NOT admitted to trading on an European Economic Area or a UK exchange; and (ii) only offered in the European Economic Area and the UK in circumstances where a prospectus is not required to be published under the Prospectus Regulation and the UK Prospectus Regulation, as the case may be, the €100,000 minimum denomination (or its equivalent in any other currency as at the date of issue of the Notes) is not required.)*
(ii) Calculation Amount:	[●] *(If there is only one Specified Denomination, insert the Specified Denomination.* *If there is more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) Issue Date:	[●]
(ii) Interest Commencement Date:	[*specify/Issue Date*/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date:	[*Fixed rate – specify date/Floating rate – Interest Payment Date falling on or nearest to* [*specify month and year*]][4]

3 Notes listed on the HKSE will be traded on the HKSE in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

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

9.	Interest Basis:	[[●]] per cent. Fixed Rate] [Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency] [*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*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(i) Date of approval of the Financial Secretary of Hong Kong for issuance of Notes obtained:	[●]
	(ii) Date of [Board] approval for issuance of Notes obtained:	[●] [and [●], respectively]] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
14.	Listing:	[Hong Kong/*specify other*/None][5]
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/*other specify*)] in arrear] *(If payable other than annually, consider amending Condition 6)*

[5] If Listing in Hong Kong, specify expected listing date.

(ii)	Interest Payment Date(s):	[●] in each year up to and including the Maturity Date]/[specify other][6] *(N.B.: This will need to be amended in the case of long or short coupons)*
(iii)	Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	[●] per Calculation Amount[7]
(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]

(Applicable to Notes in definitive form)

(v)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or Actual/365 (Fixed) or [*specify other*]]
(vi)	Determination Date(s):	[●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]* *(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration)* *(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]

17. Floating Rate Note Provisions — [Applicable/Not Applicable]

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

(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]

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6 Note that, for certain Hong Kong dollar denominated Fixed Rate Notes, the Interest Payment Dates are subject to modification and the following words should be added: "**provided that** if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and currency deposits) in Hong Kong and [●]."

7 For 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 HK$0.01, HK$0.005 being rounded upwards."

(ii)	Effective Interest Payment Date:	[The date falling [●] Business Days following each Interest Payment Date, **provided that** the Effective Interest Payment Date with respect to the last Interest Period will be the Maturity Date or, if the Issuer elects to redeem the Notes before the Maturity Date, the date fixed for redemption (include this wording for Payment Delay only)]/[Not Applicable][8]
(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(iv)	Additional Business Centre(s):	[●]
(v)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(vi)	Calculation Agent:	[The Issuing and Paying Agent]/[The U.S. Paying Agent]/[●]
(vii)	Screen Rate Determination:	[Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
	• Fallback provisions:	[Conditions 5.6.1 to 5.6.5][9]/[Condition 5.6.7]
	• Index Determination:	[Applicable/Not Applicable]

Insert only if Index Determination is not applicable

	• Reference Rate:	[EURIBOR/HIBOR]/[SONIA/SOFR/€STR calculated in accordance with Notes Condition 5.2.2(iii) (*Screen Rate Determination for Floating Rate Notes referencing SONIA, SOFR or €STR*)]
	• Interest Determination Date(s):	[●]/[The date falling [●] Business Days prior to the first day of each Interest Period]/[First day of each Interest Period]/[The [first/second/third/[●]] Business Day immediately preceding the Interest Payment Date for each Interest Period (or immediately preceding such earlier date, if any, on which the Notes are due and payable).][provide details]/[The Interest Payment Date at the end of each Interest Period; **provided that** the Interest Determination Date with respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date – Include this wording for Payment Delay only]][10]

8 Effective Interest Payment Dates should be at least 5 Business Days after the Interest Payment Dates, unless otherwise agreed with the Paying Agent.

9 To be included in all cases expect where the parties have agreed, in respect of an issuance where the Reference Rate is SOFR Benchmark, to the inclusion of the Benchmark Discontinuation (SOFR) fallback provisions instead.

10 To be at least 5 Business Days before the relevant Interest Payment Date where the Reference Rate is SONIA, SOFR or €STR.

•	Relevant Screen Page:	[●]/[Bloomberg Page SONIO/N Index]/[New York Federal Reserve's Website]/[ECB's Website] *(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)*
•	Calculation Method	[Weighted Average/Compounded Daily/Not Applicable]
•	Observation Method	[Lag]/[Lock-out]/[Observation Shift]/[Payment Delay]/[Not Applicable]
•	Observation Look-back Period:	[●]/[Note Applicable][11]
•	D:	[365/360/[●]/[Not Applicable]]
•	Rate Cut-off Date:	[The date falling [●] Business Days prior to the Maturity Date or the date fixed for redemption, as applicable – used for Payment Delay only][12]/[Not Applicable]

Insert only if Index Determination is applicable

•	SONIA Compounded Index:	[Applicable/Not Applicable]
•	SOFR Compounded Index:	[Applicable/Not Applicable]
•	Interest Determination Date:	[●]/[The day falling the Relevant Number of Index Days prior to the relevant Interest Payment Date, or such other date on which the relevant payment of interest falls due (but which, by its definition or the operation of the relevant provisions, is excluded from the relevant Interest Period)]
•	Relevant Decimal Place:	[●]/[As per the Conditions][13]
•	Relevant Number:	[●]/[As per the Conditions]
•	Numerator:	[●]/[As per the Conditions]

[11] The length of the Observation Look-back Period should be at least as many Business Days as the period between the Interest Payment Date and the Interest Determination Date. "Observation Look-back Period" is only applicable where "Compounded Daily" is selected as the Calculation Method and "Lag" or "Observation Shift" is selected as the Observation Method; otherwise, select "Not Applicable".

[12] Only applicable where "Payment Delay" is selected as the Observation Method. The Rate Cut-off Date should be at least 5 Business Days before the Maturity Date or the date fixed for redemption, unless otherwise agreed with the Paying Agent.

[13] This should be a number that is five or greater where SONIA (Compounded Daily is specified as the Calculation Method) applicable and two or greater where SOFR (Compounded Daily is specified as the Calculation Method) is applicable.

(viii) ISDA Determination:	[Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
• ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
• Floating Rate Option:	[●]
• Designated Maturity:	[●]
• Reset Date:	[●]
(ix) Margin(s):	[+/-] [●] per cent. per annum
(x) Minimum Rate of Interest:	[●] per cent. per annum
(xi) Maximum Rate of Interest:	[●] per cent. per annum
(xii) 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)*
(xiii) Fall back 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:	[●]
18. **Zero Coupon Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i) Accrual Yield:	[●] per cent. per annum
(ii) Reference Price:	[●]
(iii) Any other formula/basis of determining amount payable:	[●]
(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 7.5(c) and Condition 7.10 apply/*specify other*] *(Consider applicable day count fraction if not U.S. dollar denominated)*

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

PROVISIONS RELATING TO REDEMPTION

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

23.	Redemption in the case of Minimal Outstanding Amount:	[Applicable/Not Applicable]
24.	Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix]]
25.	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 Condition 7.6):	[[●] per Calculation Amount/*specify other*/see Appendix]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26.	Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]*] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]*] * *(Ensure that this is consistent with the wording in the "Form of the Instruments" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in sub-paragraph 6(i) includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)* [Registered Notes: [Regulation S/Rule 144A] [Registered Global Certificate (U.S.$ [●] nominal amount) [registered in the name of a nominee for a common depositary for Euroclear and Clearstream /a nominee for DTC/held through the CMU]]
27.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(iii) and 19(vii) relate)*

28.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]
29.	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***. ***NB: new forms of Global Note may be required for Partly Paid issues***.]
30.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
31.	Relevant Benchmark[s]:	[[*specify benchmark*] is provided by [*administrator legal name*]]. As at the date hereof, [[*administrator legal name*] [appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmarks Regulation]/[Not Applicable]
32.	Other terms or special conditions[14]:	[Not Applicable/*give details*]

DISTRIBUTION

33.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
34.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
35.	U.S. Selling Restrictions:	[Regulation S Category [1/2]/Rule 144A/TEFRA C/TEFRA D/TEFRA not applicable]
36.	Prohibition of Sales to EEA Retail Investors:	[Not Applicable/Applicable]
37.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable][15]
38.	Additional selling restrictions:	[Not Applicable/*give details*]

[14] Add specific conditions regarding private bank rebate or commissions.

[15] If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no Key Information Document (as provided for under the UK PRIIPs Regulation) will be prepared, "Applicable" should be specified.

OPERATIONAL INFORMATION

39.	Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s):	[DTC/CMU/Not Applicable/*give name(s) and number(s)*]
40.	Delivery:	Delivery [against/free of] payment
41.	Registrar:	[●]
42.	Additional Paying Agent(s) (if any):	[●]
	ISIN:	[●]
	Common Code:	[●]
		(insert here any other relevant codes such as a CUSIP or a CMU instrument number)

GENERAL

43.	Private Bank Rebate/Commission	[Applicable/Not Applicable]
44.	[Rating	The Notes to be issued have been rated [●] by [●]]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.$4,000,000,000 Medium Term Note and Perpetual Securities Programme of Far East Horizon Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ____________________________
Duly authorised

FORM OF PRICING SUPPLEMENT OF THE SECURITIES

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**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 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities 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 Securities 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 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement [Directive (EU) 2016/97/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 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/the PRIIPs Regulation] as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**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 Securities has led to the conclusion that: (i) the target market for the Securities 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 Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (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 Securities (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][16]

[**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 Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. [*Consider any negative target*

[16] Only to be included if one or more of the parties is deemed to be a MiFID manufacturer.

market.] Any person subsequently offering, selling or recommending the Securities (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 Securities (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][17]

[**Singapore Securities and Futures Act Product Classification –** Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (2020 Revised Edition) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Securities are "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).]

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

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

The 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 Securities on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Securities, the Issuer 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.

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

[*Date*]

Far East Horizon Limited

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Securities*]
under its U.S.$4,000,000,000
Medium Term Note and Perpetual Securities Programme

[17] Only to be included if one or more of the parties is deemed to be a UK MiFIR manufacturer.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") of the Securities set forth in the Offering Circular dated 13 July 2022. This Pricing Supplement contains the final terms of the Securities and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[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 Terms and Conditions (the "**Conditions**") set forth in the Trust Deed in relation to the Securities dated [*original date*] (the "**Securities Trust Deed**"). This Pricing Supplement contains the final terms of the Securities and must be read in conjunction with the Securities Trust Deed and the Offering Circular dated [*current date*], save in respect of the Conditions which are extracted from the Securities Trust Deed dated [*original date*] and are attached hereto.]

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

1.	Issuer:	Far East Horizon Limited
2.	Status:	[Senior Perpetual Securities]/[Subordinated Perpetual Securities]
3.	Ranking vis-à-vis Subordinated Indebtedness[18]	[●]
4.	[(i)] Series Number: [(ii) Tranche Number:	[●] [●] *(If fungible with an existing Series, details of that that Series, including the date on which the Securities become fungible)*.]
5.	Specified Currency or Currencies:	[●]
6.	Aggregate Nominal Amount:	
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]
7.	[(i)] Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(if applicable)*]
	[(ii) Net proceeds:	[●] *(Required only for listed issues)*]
	[(iii) Use of Proceeds:	[●] *(give details if different from the "Use of Proceeds" section in the Offering Circular)*]
8.	(i) Specified Denominations:	[●]

[18] Only applicable in case of Subordinated Perpetual Securities.

	(ii) Calculation Amount:	[●]
		(If there is only one Specified Denomination, insert the Specified Denomination. *If there is more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
9.	(i) Issue Date:	[●]
	(ii) Distribution Commencement Date:	[*specify/Issue Date*]
	(iii) First Distribution Payment Date:	[●]
10.	Distribution Rate:	[[●] per cent. Fixed Rate]
11.	Listing:	[Hong Kong/*specify other*/None] (For Securities to be listed on the HKSE, insert the expected effective listing date of the Securities)
12.	Method of distribution:	[Syndicated/Non-syndicated]
13.	(i) Initial Distribution Rate:	[●] per cent. per annum payable [semi-annually in arrear]
	(ii) Distribution Payment Date(s):	[[●] and [●] in each year]
	(iii) First Call Date:	[●]
	(iv) First Reset Date:	[●]
	(v) Reset Date:	[●]
	(vi) Relevant Reset Distribution Rate:	[●] per cent. per annum [payable semi-annually in arrear]
	(vii) Benchmark Rate:	[●]
	(viii) Comparable Period:	[●]
	(ix) Initial Spread:	[●]
	(x) Day Count Fraction:	[30/360 or Actual/365 (Fixed) or [others]]
	(xi) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(xii) Other terms relating to the method of calculating Distribution:	[None/*give details*]
	(xiii) Increase in Distribution Rate upon a Breach of Covenant Event:	[Applicable/Not Applicable]
	(xiv) Step-up Rate upon a Breach of Covenant Event:	[●]

	Increase in Distribution Rate upon a Relevant Indebtedness Default Event:	[Applicable/Not Applicable]
	Step-up Rate upon a Relevant Indebtedness Default Event:	[●]

PROVISIONS RELATING TO REDEMPTION

14.	Issuer Call:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Redemption at the option of the Issuer	[Applicable/Not Applicable]
	(ii) Redemption for tax reasons	[Applicable/Not Applicable]
	(iii) Redemption for accounting reasons	[Applicable/Not Applicable]
	(iv) Redemption on the occurrence of a Breach of Covenant Event	[Applicable/Not Applicable]
	(v) Redemption on the occurrence of a Relevant Indebtedness Default Event	[Applicable/Not Applicable]
	(vi) Redemption for Minimal Outstanding Amount	[Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

15.	Form of Securities:	[Registered Securities: Global Certificate exchangeable for Definitive Certificates in the limited circumstances described in the Global Certificate]
16.	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 Distribution payment period end dates to which sub-paragraph 11(ii) relate)*
17.	Additional Business Centre(s):	[Not Applicable/*give details*]
18.	Relevant Benchmark[s]:	[[*specify benchmark*] is provided by [*administrator legal name*]]. As at the date hereof, [[*administrator legal name*] [appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the Benchmarks Regulation]/[Not Applicable]
19.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION OF THE SECURITIES

20.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
21.	If non-syndicated, name of Relevant Dealer:	[Not Applicable/*give name and address*]
22.	U.S. Selling Restrictions:	[Regulation S Category [1/2]/Rule 144A/TEFRA C/TEFRA D/TEFRA not applicable]
23.	Prohibition of Sales to EEA Retail Investors:	[Not Applicable/Applicable]
24.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable][19]
25.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

26.	Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s):	[DTC/CMU/Not Applicable/*give name(s) and number(s)*]
27.	Delivery:	Delivery [against/free of] payment
28.	Additional Paying Agent(s) (if any):	[●]
	ISIN:	[●]
	Common Code:	[●]
	(insert here any other relevant codes such as a CMU instrument number)	
29.	Rating:	[●]
30.	Calculation Agent:	[The Issuing and Paying Agent]/[The U.S. Paying Agent]/[●]

19 If the Securities clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Securities may constitute "packaged" products and no Key Information Document (as provided for under the UK PRIIPs Regulation) will be prepared, "Applicable" should be specified.

[**LISTING APPLICATION**

This Pricing Supplement comprises the final terms required for the issue of Securities described herein pursuant to the U.S.$4,000,000,000 Medium Term Note and Perpetual Securities Programme of Far East Horizon Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ____________________________
Duly authorised

GENERAL INFORMATION

(1) Application has been made to the HKSE for the listing of the Programme during the 12-month period after the date of this Offering Circular on the HKSE, under which Instruments may be issued by way of debt issues to Professional Investors only. Separate application may be made for the listing of Instruments on the HKSE. The issue price of Instruments listed on the HKSE will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Instruments, commence on or about the date of listing of the relevant Instruments. Instruments listed on the HKSE will be traded on the HKSE in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

(2) The Issuer has obtained all necessary consents, approvals and authorisations in Hong Kong in connection with the establishment and update of the Programme. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 30 March 2012. The update of the Programme was authorised by the resolution passed at a meeting of the Board of Directors of the Issuer held on 16 March 2022.

(3) Where applicable for a relevant Tranche of Instruments, the Instruments will be issued within the quota granted pursuant to the NDRC Circular and other applicable implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time. After the issuance of such relevant Tranche of Instruments, the Issuer intends to provide or cause to be provided the requisite information on the issuance of such Instruments to the NDRC within the time period as required by the NDRC.

(4) Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position of the Issuer or of the Group since 31 December 2021.

(5) None of the Issuer or the Group is involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the issue of the Instruments and, so far as the Issuer or any member of the Group is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

(6) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(7) Instruments have been accepted for clearance through the Euroclear and Clearstream systems. The legal entity identifier code of the Issuer is 549300S9XRGO1ZPUHE62. The Issuer may also apply to have Instruments accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. In addition, the Issuer may make an application for Registered Instruments to be accepted for trading in book-entry form by DTC. The relevant ISIN, the Common Code, CUSIP, and (where applicable) the identification number for any other relevant clearing system for each Series of Instruments will be specified in the applicable Pricing Supplement. If the Instruments are to clear through an additional or alternative clearing system, the appropriate information will be set out in the relevant Pricing Supplement.

(8) For so long as Instruments may be issued pursuant to this Offering Circular, copies of the following documents will, when published, be available during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the head office of the Issuer at Unit 6608, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and at the specified office of the Paying Agents:

    (i) the Notes Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(ii) the Securities Trust Deed (which includes the form of the Certificates);

(iii) the Agency Agreement;

(iv) the Articles of Association of the Issuer;

(v) the published annual report of the Group and audited consolidated accounts of the Group for the years ended 31 December 2020 and 2021 (the Issuer currently prepares consolidated audited accounts on an annual basis); and

(vi) a copy of this Offering Circular, together with any supplement (including any Pricing Supplement save that a Pricing Supplement relating to an unlisted Series of Instruments will only be available for inspection by a holder of any such Instruments and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Instruments and identity) to this Offering Circular or further Offering Circular.

Upon prior written request and proof of holding, copies of the documents referred to in subparagraphs (i) to (iii) above will also be (a) available during normal business hours (being 9:00 a.m. to 3:00 p.m. local time on weekdays (excluding public holidays)) at the following address of The Hongkong and Shanghai Banking Corporation Limited: Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong, so long as any of the Instruments is outstanding or (b) through electronic mail from the Trustee.

(9) Ernst & Young have given and not withdrawn their written consent to the inclusion in this Offering Circular of their reports in relation to the Group in the form and context in which they are included.

INDEX TO FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2021

The audited consolidated financial information of the Group as of and for the year ended 31 December 2019 included in this Offering Circular is derived from the Issuer's consolidated financial statements for the year ended 31 December 2020 as comparative, whereby the presentation of the consolidated statement of profit or loss is different from that included in the Issuer's consolidated financial statements for the year ended 31 December 2019. These changes in presentation have had no impact on the reported profit for the year ended 31 December 2019 or any other financial statements as of and for the year ended 2019.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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Central, Hong Kong

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香港中環添美道1號
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To the members of Far East Horizon Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Far East Horizon Limited (the "Company") and its subsidiaries (the "Group") set out on pages 134 to 324, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and accounts receivable	
The Group's loans and accounts receivable consisted of lease receivables, interest receivables, notes receivable, accounts receivable, factoring receivables, entrusted loans, long-term receivables and secured loans, and accounted for 76.5% of the Group's total assets. The assessment of impairment of such loans and accounts receivable was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management. HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment allowances of financial assets. In measuring ECL of loans and accounts receivable under HKFRS 9, management need to apply judgement, make necessary assumptions and select reasonable ECL model methodology in aspects such as determining whether there are significant increases in credit risk, determining the parameters and the forward-looking adjustments. The accounting policies, disclosures of the allowance for impairment of loans and receivables and the related credit risk are included in Note 2.4, Note 3, Note 23 and Note 48 to the consolidated financial statements.	We evaluated and tested the effectiveness of the design and implementation of key controls relating to approval, post approval monitoring, the credit grading management, and loan impairment assessment. We adopted a risk-based sampling approach in our tests of the allowances for impairment of loans and receivables. We selected samples of loans considering size, risk factors, industry trends for our tests on the reasonableness of loan grading and measurement of impairment. We evaluated and tested the key parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects: • Assessing the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk; • Assessing the reasonableness of the management's consideration of forward-looking adjustment information when determining expected credit losses, including the use of macroeconomic information and the judgement of adjustments. We also assessed the appropriateness of the Group's disclosure of the allowance for impairment of loans and receivables and the related credit risk in Note 2.4, Note 3, Note 23 and Note 48 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
As at 31 December 2020, the Group's goodwill amounted to RMB2,032 million, representing 4.5% of net assets. The annual impairment assessment on such goodwill was complex and involved the use of various significant assumptions and estimates in respect of future profitability and discount rates, and others. The accounting policies and disclosures of the impairment assessment of goodwill are included in Note 2.4, Note 3 and Note 15 to the consolidated financial statements.	Our audit procedures included, amongst others, assessing and testing the assumptions, methodologies, and data used by the Group in performing the impairment assessment of goodwill. We involved our valuation specialists in performing these procedures. We evaluated the reasonableness of the forecasted future profitability and discount rates used. We also assessed the historical reasonableness of the management's forecasts. We also assessed the appropriateness of the Group's disclosures included in Note 2.4, Note 3 and Note 15 to the consolidated financial statements about the key assumptions.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Interest Income	5	**16,521,643**	15,841,562
Revenue from operating leases	5	**2,484,554**	2,036,435
Revenue from contracts with customers	5	**10,163,067**	9,058,799
Tax and surcharges		**(127,463)**	(80,335)
Cost of sales	7	**(14,076,166)**	(12,525,041)
Other income and gains	5	**1,979,628**	1,142,487
Selling and distribution costs		**(2,135,955)**	(1,954,977)
Administrative expenses		**(4,076,227)**	(3,641,298)
Impairment losses on financial and contract assets, net		**(2,598,922)**	(1,981,596)
Losses on disposal of financial assets measured at amortised cost		**(129,292)**	(267,914)
Other expenses		**(347,808)**	(214,893)
Finance costs	6	**(617,171)**	(460,632)
Share of net profits of:			
Associates		**492,457**	344,072
Share of net losses of:			
Joint ventures		**(24,799)**	(151,839)
PROFIT BEFORE TAX	7	**7,507,546**	7,144,830
Income tax expense	10	**(2,474,559)**	(2,316,573)
PROFIT FOR THE YEAR		**5,032,987**	4,828,257
Attributable to:			
Ordinary shareholders of the parent		**4,575,751**	4,337,602
Holders of perpetual securities	38	**455,022**	511,335
Non-controlling interests		**2,214**	(20,680)
		5,032,987	4,828,257
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	RMB	RMB
Basic			
– Earnings per share		**1.20**	1.14
Diluted			
– Earnings per share		**1.16**	1.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR		**5,032,987**	4,828,257
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	22	**(2,476,186)**	469,783
Reclassification to the consolidated statement of profit or loss		**2,553,261**	(364,549)
Income tax effect		**(19,408)**	(24,699)
		57,667	80,535
Exchange differences on translation of foreign operations		**141,931**	(9,422)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**199,598**	71,113
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**199,598**	71,113
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,232,585**	4,899,370
Attributable to:			
Ordinary shareholders of the parent		**4,775,349**	4,408,715
Holders of perpetual securities		**455,022**	511,335
Non-controlling interests		**2,214**	(20,680)
		5,232,585	4,899,370

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		31 December 2020	31 December 2019
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**16,871,601**	11,582,978
Right-of-use assets	14(a)	**2,059,242**	3,422,782
Goodwill	15	**2,032,232**	2,321,837
Other intangible assets	16	**49,129**	34,465
Investments in joint ventures	18	**2,326,760**	2,230,724
Investments in associates	19	**4,964,459**	4,987,942
Financial assets at fair value through profit or loss	20	**6,176,714**	4,130,091
Derivative financial instruments	22	**69,202**	906,710
Loans and accounts receivables	23	**106,476,358**	102,379,882
Prepayments, other receivables and other assets	24	**8,579,835**	11,580,604
Deferred tax assets	26	**5,142,900**	4,181,252
Restricted deposits	27	**142**	3,871
Total non-current assets		**154,748,574**	147,763,138
CURRENT ASSETS			
Inventories	28	**397,381**	403,838
Loans and accounts receivables	23	**122,920,949**	98,741,019
Contract assets	25	**110,132**	22,646
Prepayments, other receivables and other assets	24	**2,903,998**	2,715,863
Debt investment at fair value through other comprehensive income	21	**108,176**	–
Financial assets at fair value through profit or loss	20	**3,165,851**	312,597
Derivative financial instruments	22	**219,765**	659,126
Restricted deposits	27	**3,474,727**	5,962,790
Cash and cash equivalents	27	**11,877,235**	3,989,571
Total current assets		**145,178,214**	112,807,450
CURRENT LIABILITIES			
Trade and bills payables	29	**7,880,410**	4,473,428
Other payables and accruals	30	**15,223,636**	17,469,463
Derivative financial instruments	22	**297,441**	28,982
Interest-bearing bank and other borrowings	31	**103,931,451**	87,744,845
Lease liabilities	14(b)	**237,544**	236,375
Income tax payable		**1,764,699**	1,256,882
Total current liabilities		**129,335,181**	111,209,975
NET CURRENT ASSETS		**15,843,033**	1,597,475
TOTAL ASSETS LESS CURRENT LIABILITIES		**170,591,607**	149,360,613

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		170,591,607	149,360,613
NON-CURRENT LIABILITIES			
Convertible bonds-host debts	32	2,924,074	–
Interest-bearing bank and other borrowings	31	98,360,630	74,651,421
Lease liabilities	14(b)	583,048	1,636,702
Derivative financial instruments	22	1,557,724	155,532
Deferred tax liabilities	26	244,077	236,648
Other payables and accruals	30	16,304,185	24,521,974
Deferred revenue	33	1,064,019	1,054,306
Other non-current liabilities	49	4,286,717	5,569,255
Total non-current liabilities		125,324,474	107,825,838
Net assets		45,267,133	41,534,775
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	34	10,397,104	10,281,212
Equity component of convertible bonds	32	338,050	–
Reserves	37	23,384,298	19,847,224
		34,119,452	30,128,436
Holders of perpetual securities	38	8,478,063	9,860,211
Non-controlling interests		2,669,618	1,546,128
Total equity		45,267,133	41,534,775

Kong Fanxing
Director

Wang Mingzhe
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to ordinary shareholders of the parent												
	Share capital	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 34)	(Note 37)	(Note 36)		(Note 37)	(Note 37)					(Note 38)		
At 1 January 2019	10,235,373	2,104,975	(673,079)	404,663	2,426	121,913	(392,491)	621,310	15,304,653	27,729,743	9,789,593	1,573,168	39,092,504
Profit for the year	–	–	–	–	–	–	–	–	4,337,602	4,337,602	511,335	(20,680)	4,828,257
Other comprehensive income													
Cash flow hedges, net of tax	–	–	–	–	–	–	80,535	–	–	80,535	–	–	80,535
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(9,422)	–	(9,422)	–	–	(9,422)
Total comprehensive income	–	–	–	–	–	–	80,535	(9,422)	4,337,602	4,408,715	511,335	(20,680)	4,899,370
Final 2018 dividend declared (net of dividends received from shares held for the share award scheme)	–	–	–	–	–	–	–	–	(1,001,447)	(1,001,447)	–	–	(1,001,447)
Distribution paid to holders of perpetual securities	–	–	–	–	–	–	–	–	–	–	(490,503)	–	(490,503)
Shares vested under the restricted share award scheme	–	–	377,974	(287,915)	–	–	–	–	(90,059)	–	–	–	–
Purchase of shares under share award scheme	–	–	(774,973)	–	–	–	–	–	–	(774,973)	–	–	(774,973)
Transfer of reserve upon the exercise of share options	45,839	–	–	(9,399)	–	–	–	–	–	36,440	–	–	36,440
Recognition of equity-settled share-based payments	–	–	–	299,666	–	–	–	–	–	299,666	–	–	299,666
Special reserve – safety fund appropriation	–	–	–	–	5,920	–	–	–	(6,115)	(195)	–	195	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	78,288	78,288
Purchase of non-controlling interests	–	(569,513)	–	–	–	–	–	–	–	(569,513)	–	(202,258)	(771,771)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	159,701	159,701
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(42,286)	(42,286)
Issue of perpetual trusted loans	–	–	–	–	–	–	–	–	–	–	49,786	–	49,786
At 31 December 2019	10,281,212	1,535,462*	(1,070,078)*	407,015*	8,346*	121,913*	(311,956)*	611,888*	18,544,634*	30,128,436	9,860,211	1,546,128	41,534,775

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to ordinary shareholders of the parent													
	Share capital	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 34)	(Note 32)	(Note 37)	(Note 36)		(Note 37)	(Note 37)					(Note 38)		
At 1 January 2020	10,281,212	-	1,535,462	(1,070,078)	407,015	8,346	121,913	(311,956)	611,888	18,544,634	30,128,436	9,860,211	1,546,128	41,534,775
Profit for the year	-	-	-	-	-	-	-	-	-	4,575,751	4,575,751	455,022	2,214	5,032,987
Other comprehensive income for the year:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	57,667	-	-	57,667	-	-	57,667
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	141,931	-	141,931	-	-	141,931
Total comprehensive income	-	-	-	-	-	-	-	57,667	141,931	4,575,751	4,775,349	455,022	2,214	5,232,585
Final 2019 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	-	(1,143,486)	(1,143,486)	-	-	(1,143,486)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(499,070)	-	(499,070)
Shares vested under the restricted share award scheme	-	-	-	203,131	(166,840)	-	-	-	-	(36,291)	-	-	-	-
Transfer of share option reserve upon exercise of share options	115,892	-	-	-	(23,798)	-	-	-	-	-	92,094	-	-	92,094
Recognition of equity-settled share-based payments	-	-	-	-	162,846	-	-	-	-	-	162,846	-	-	162,846
Special reserve – safety fund appropriation	-	-	-	-	-	16,568	-	-	-	(18,063)	(1,495)	-	1,495	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to ordinary shareholders of the parent													
	Share capital	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 34)	(Note 32)	(Note 37)	(Note 36)		(Note 37)	(Note 37)					(Note 38)		
Capital injection by non-controlling shareholders	-	-	4,182	-	-	-	-	-	-	-	4,182	-	1,117,966	1,122,148
Disposal of subsidiaries (Note 40)	-	-	-	-	-	-	-	-	-	-	-	-	(20,798)	(20,798)
Purchase of non-controlling interests	-	-	(236,524)	-	-	-	-	-	-	-	(236,524)	-	(140,491)	(377,015)
Acquisition of subsidiaries (Note 39)	-	-	-	-	-	-	-	-	-	-	-	-	210,871	210,871
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(47,767)	(47,767)
Issue of perpetual securities (Note 38)	-	-	-	-	-	-	-	-	-	-	-	3,661,900	-	3,661,900
Redemption of perpetual securities (Note 38)	-	-	-	-	-	-	-	-	-	-	-	(5,000,000)	-	(5,000,000)
Issue of convertible bonds (Note 32)	-	338,050	-	-	-	-	-	-	-	-	338,050	-	-	338,050
Total comprehensive income	10,397,104	338,050	1,303,120*	(866,947)*	379,223*	24,914*	121,913*	(254,289)*	753,819*	21,922,545*	34,119,452	8,478,063	2,669,618	45,267,133

* These reserve accounts comprise the consolidated reserves of RMB23,384,298,000 (31 December 2019: RMB19,847,224,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

		2020	2019
	Notes	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**7,507,546**	7,144,830
Adjustments for:			
Finance costs		**8,630,202**	8,435,106
Bank interest income	5	**(166,067)**	(100,630)
Share of net profits of associates		**(492,457)**	(344,072)
Share of net losses of joint ventures		**24,799**	151,839
Gains on unlisted debt investments, at fair value	5	**(111,511)**	(65,628)
Gains on disposal of property, plant and equipment, net		**(25,699)**	(56,115)
Gains on disposal of subsidiaries	5	**(36,135)**	–
Gains on disposal of part of the equity of a joint venture	5	**(600)**	(36,364)
Gains on disposal of an associate	5	**(1,807)**	–
Depreciation of property, plant and equipment	13	**1,561,746**	1,129,448
Depreciation of right-of-use assets	14	**251,414**	197,743
Impairment of loans and accounts receivables	7	**2,543,266**	2,018,346
Impairment of property, plant and equipment	7	**672,410**	446,796
Impairment of inventories	7	**18,422**	42,861
Impairment of prepayments, other receivables and other assets		**138,448**	59,224
Impairment of right-of-use assets	7	**89,860**	86,691
Impairment of credit commitments	7	**(5,990)**	26
Impairment of an investment in a joint venture	7	**10,416**	–
Impairment of goodwill	7	**274,560**	118,626
Interest expense on lease liabilities	14	**56,610**	64,156
Amortisation of intangible assets and other assets	7	**41,821**	33,497
Equity-settled share-based payment expense	7	**162,846**	299,666
Foreign exchange (gain)/loss, net		**(41,787)**	51,775
Realised gains on derecognition of financial assets at fair value through profit or loss	5	**(30)**	(64,106)
Fair value gains from financial assets at fair value through profit or loss		**(65,405)**	(39,543)
Interest income from continuing involvement in transferred assets		**(240,746)**	(211,943)
Dividends from financial assets at fair value through profit or loss	5	**(38,857)**	–
		20,757,275	19,362,229

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
(Increase)/decrease in inventories		(8,235)	68,133
(Increase)/decrease in loans and accounts receivables		(31,033,398)	17,525,157
(Increase)/decrease in contract assets		(87,486)	4,522
Decrease/(increase) in prepayments, other receivables and other assets		1,518,583	(3,191,498)
Decrease/(increase) in restricted cash related to asset-backed securitisations and collective fund trusts		3,040,137	(708,844)
Increase in trade and bills payables		3,413,688	833,957
Decrease in other payables and accruals		(11,194,639)	(3,801,932)
Increase in other liabilities		9,713	72,912
Net cash flows (used in)/from operating activities before tax and interest		(13,584,362)	30,164,636
Interest paid		(8,060,428)	(8,667,545)
Bank interest received		166,067	100,630
Income tax paid		(2,983,629)	(3,208,653)
Net cash flows (used in)/from operating activities		(24,462,352)	18,389,068
CASH FLOWS FROM INVESTING ACTIVITIES			
Gains on unlisted debt investments, at fair value	5	111,511	65,628
Proceeds from disposal of property, plant and equipment		853,637	219,863
Acquisition of subsidiaries		(200,287)	(395,201)
Purchase of items of property, plant and equipment, intangible assets and other long term assets		(7,173,044)	(3,295,594)
Purchase of shareholdings for joint ventures		(232,205)	(557,763)
Purchase of shareholdings for associates		(148,953)	(1,693,672)
Dividend received from joint ventures		25,531	6,053
Dividend received from associates		188,222	53,463
Proceeds from disposal of part of the equity of a joint venture		75,677	108,134
Proceeds from disposal of associates		481,050	1,061,889
Purchase of financial assets at fair value through profit or loss		(5,857,789)	(2,446,800)
Disposal of subsidiaries		252,771	–
Disposal of financial assets at fair value through profit or loss		1,068,999	688,856
Net cash flows used in investing activities		(10,554,880)	(6,185,144)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

		2020	2019
	Notes	RMB'000	RMB'000
Net cash flows used in investing activities		**(10,554,880)**	(6,185,144)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received upon exercise of share options		**92,094**	36,440
Capital injection from non-controlling shareholders		**1,297,530**	78,288
Purchase of non-controlling interests		**(211,571)**	(396,820)
Cash received from borrowings		**162,505,917**	99,485,119
Repayments of borrowings		**(120,061,686)**	(110,220,934)
Principal portion of lease payments		**(962,182)**	(214,313)
Dividends paid		**(1,143,486)**	(1,001,447)
(Increase)/decrease in pledged deposits		**(548,345)**	22,306
Realised fair value gains/(losses) from derivative financial instruments in hedges for borrowings		**475,907**	(75,106)
Distribution paid to holders of perpetual securities	38	**(499,070)**	(490,503)
Dividends paid to non-controlling shareholders		**(46,896)**	(15,397)
Purchase of shares under the share award scheme		**–**	(774,973)
Issue of perpetual securities		**3,661,900**	49,786
Redemption of perpetual securities		**(5,000,000)**	–
Issue of convertible bonds		**3,382,700**	–
Net cash flows from/(used in) financing activities		**42,942,812**	(13,517,554)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,925,580**	(1,313,630)
Cash and cash equivalents at beginning of year		**3,989,571**	5,269,392
Effect of exchange rate changes on cash and cash equivalents		**(37,916)**	33,809
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,877,235**	3,989,571

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

Far East Horizon Limited (the "Company") is a limited liability company which was incorporated in Hong Kong on 15 May 2008. Pursuant to the special resolutions dated 15 October 2008 and 29 November 2010, respectively, the Company changed its name from Fully Ascent Limited to Far Eastern Hong Xin Co., Limited and then to Far East Horizon Limited. The registered office address of the Company changed from Room 6305, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to Unit 6608, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon with effect from 31 July 2020.

The Group is principally engaged in the provision of finance to its customers by a wide array of assets under finance lease arrangements, operating lease arrangements, entrusted loan arrangements, factoring, the provision of advisory services, equipment operation business, industrial operation business and other services as approved by the Ministry of Commerce (the "MOFCOM") of the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Through a group reorganisation (the "Reorganisation") as set out in the section headed "Our History and Reorganisation" in the Prospectus dated 18 March 2011 for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies comprising the Group on 13 March 2009. The Company was listed on the Stock Exchange on 30 March 2011.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary shareholders of the parent of the Group, the non-controlling interests and holders of perpetual securities even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any material impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. Since there were no rent concessions occurring as a direct consequence of the covid-19 pandemic within the Group during the year ended 31 December 2020, the amendment to HKFRS 16 had no significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at the end of each reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its debt investments, equity investments and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary of fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Annual depreciation rate
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Buildings	1.90-20.00%
Equipment, tools and moulds	5.00-33.33%
Office equipment and computers	9.00-33.33%
Motor vehicles	9.00-32.33%
Vessels	3.20-10.53%
Others	20.00-50.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Buildings	1 to 17 years
Equipment	5 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

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 the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Treasury shares

Own equity instruments which are required and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instrument.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Perpetual securities

Perpetual securities issued by the Group contain no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. The Group classifies such perpetual securities issued as an equity instrument. Fees, commissions and other transaction costs of such perpetual securities issuance are deducted from equity. The distributions on perpetual securities are recognised as profit distribution at the time of declaration.

Inventories

Inventories are goods valued at the lower of cost and net realisable value at the end of the reporting period. The cost of inventories issued is determined on the weighted – average basis and specific identification basis. The difference between the cost and the lower net realisable value is stated as a provision. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks (including term deposits with original maturity of less than three months), and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Provision of services

Revenue from the provision of services is recognised over the scheduled period on a straight-line basis or at a point in time.

Revenue from other sources

Operating Lease Income

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance lease, factoring and loan interest income

Finance lease, factoring and loan interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Other Income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme and a restricted share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using appropriate valuation models, further details of which are given in Note 35 and Note 36 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year's basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions even if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Contributions to these plans are recognised in the statement of profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries whose functional currency is other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries with a functional currency other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in asset and liability recognition by the lessee, with the asset remaining recognised by the lessor).

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if the title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- and the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Significant judgement in determining the lease term of contracts with renewal options (continued)

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use required the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill at 31 December 2020 was RMB2,032,232,000 (31 December 2019: RMB2,321,837,000). Further details are given in Note 15.

Impairment of financial instruments

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, and credit commitments requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) The Group's internal credit grading model, which assigns the probability of defaults (PDs) to the individual grades

(ii) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment

(iii) Development of ECL models, including the various formulas and the choice of inputs

(iv) Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, the exposure of defaults (EADs) and the loss given defaults (LGDs)

The Group will regularly review the expected credit loss model in the context of the actual loss experience and adjust it when necessary.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets and liabilities

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Valuation techniques make use of observable market information to the greatest extent, however, when the observable market information cannot be obtained, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of an appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including volatility, the expected exercise behaviour and dividend yield, etc, and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 35 and Note 36.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments, namely the financial, lease and advisory business and the industrial operation and management business, based on the internal organisational structure, management requirement and the internal reporting system:

- The financial, lease and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; (e) operating leases and (f) advisory services.

- The industrial operation and management business comprises primarily (a) import and export trade and domestic trade of medical equipment, as well as the provision of trade agency services primarily within the machinery industry; (b) the ship brokerage services; (c) medical engineering; (d) hospital and healthcare management and (e) education consulting and management.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenue, results and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2020

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	24,244,818	4,796,983	–	29,041,801
Intersegment sales	250,416	59,617	(310,033)	–
Cost of sales	(10,106,625)	(3,978,614)	9,073	(14,076,166)
Other income and gains	1,591,966	399,381	(11,719)	1,979,628
Selling and distribution costs and administrative expenses	(4,702,882)	(1,570,733)	61,433	(6,212,182)
Other expenses	(204,566)	(143,242)	–	(347,808)
Finance costs	(547,066)	(321,351)	251,246	(617,171)
Impairment losses on financial and contract assets	(2,378,935)	(219,987)	–	(2,598,922)
Losses on disposal of financial assets measured at amortised cost	(129,292)	–	–	(129,292)
Share of profits of associates	385,515	106,942	–	492,457
Share of losses of joint ventures	(12,633)	(12,166)	–	(24,799)
Profit before tax	8,390,716	(883,170)	–	7,507,546
Income tax expense	(2,404,475)	(70,084)	–	(2,474,559)
Profit after tax	5,986,241	(953,254)	–	5,032,987
Segment assets	293,787,662	20,991,692	(14,852,566)	299,926,788
Other segment information:				
Impairment losses recognised in the statement of profit or loss	2,495,478	1,245,914	–	3,741,392
Depreciation and amortisation	1,260,039	594,942	–	1,854,981
Capital expenditure	5,788,295	1,966,195	–	7,754,490

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4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2019

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	22,740,360	4,116,101	–	26,856,461
Intersegment sales	177,498	7,115	(184,613)	–
Cost of sales	(9,304,215)	(3,225,015)	4,189	(12,525,041)
Other income and gains	895,332	260,078	(12,923)	1,142,487
Selling and distribution costs and administrative expenses	(4,066,958)	(1,538,347)	9,030	(5,596,275)
Other expenses	(76,081)	(138,812)	–	(214,893)
Finance costs	(381,586)	(263,363)	184,317	(460,632)
Impairment losses on financial and contract assets	(1,905,831)	(75,765)	–	(1,981,596)
Losses on disposal of financial assets measured at amortised cost	(267,914)	–	–	(267,914)
Share of profits of associates	337,713	6,359	–	344,072
Share of profits/(losses) of joint ventures	373	(152,212)	–	(151,839)
Profit before tax	8,148,691	(1,003,861)	–	7,144,830
Income tax expense	(2,174,407)	(142,166)	–	(2,316,573)
Profit after tax	5,974,284	(1,146,027)	–	4,828,257
Segment assets	251,726,756	17,390,785	(8,546,953)	260,570,588
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,996,980	775,590	–	2,772,570
Depreciation and amortisation	761,292	599,396	–	1,360,688
Capital expenditure	3,984,197	1,958,033	–	5,942,230

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) **Revenue from external customers**

	2020	2019
	RMB'000	RMB'000
Mainland China	28,686,665	26,584,051
Hong Kong	38,368	98,228
Other locations	316,768	174,182
	29,041,801	26,856,461

The revenue information above is based on the locations of the customers.

(b) **Non-current assets**

	2020	2019
	RMB'000	RMB'000
Mainland China	31,487,806	29,251,244
Hong Kong	950,688	1,318,977
	32,438,494	30,570,221

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

There was no single customer from whom the revenue derived amounted to 10% or more of the total revenue of the Group during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

		2020	2019
	Note	RMB'000	RMB'000
Interest Income			
Interest income from finance leases, factoring and loans		16,509,787	15,841,562
Interest income from financial assets at fair value through profit or loss		11,856	–
Revenue from operating leases		2,484,554	2,036,435
Revenue from contracts with customers	(i)	10,163,067	9,058,799
Taxes and surcharges		(127,463)	(80,335)
		29,041,801	26,856,461

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) **Disaggregated revenue information**

For the year ended 31 December 2020

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	81,143	541,685	622,828
Construction services	1,062,760	–	1,062,760
Service fee income	3,836,492	–	3,836,492
Healthcare service income	–	3,359,729	3,359,729
Education service income	–	227,573	227,573
Chartering and brokerage income	–	372,910	372,910
Other income	363,382	317,393	680,775
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067
Geographical markets			
Hong Kong	17,793	20,575	38,368
Mainland China	5,325,984	4,481,947	9,807,931
Other locations	–	316,768	316,768
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067
Timing of revenue recognition			
Goods or services transferred at a point in time	3,304,346	2,048,008	5,352,354
Services transferred over time	2,039,431	2,771,282	4,810,713
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) **Disaggregated revenue information** (continued)

For the year ended 31 December 2019

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	94,727	467,315	562,042
Construction services	470,485	5,270	475,755
Service fee income	4,573,954	–	4,573,954
Healthcare service income	–	2,837,036	2,837,036
Education service income	–	234,642	234,642
Chartering and brokerage income	–	320,601	320,601
Other income	11,455	43,314	54,769
Total revenue from contracts with customers	5,150,621	3,908,178	9,058,799
Geographical markets			
Hong Kong	10,873	74,049	84,922
Mainland China	5,124,369	3,675,326	8,799,695
Other locations	15,379	158,803	174,182
Total revenue from contracts with customers	5,150,621	3,908,178	9,058,799
Timing of revenue recognition			
Goods or services transferred at a point in time	4,230,044	1,752,762	5,982,806
Services transferred over time	920,577	2,155,416	3,075,993
Total revenue from contracts with customers	5,150,621	3,908,178	9,058,799

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) **Disaggregated revenue information** (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	**5,343,777**	**4,819,290**	**10,163,067**
Intersegment sales	**5,999**	**58,516**	**64,515**
Intersegment adjustments and eliminations	**(5,999)**	**(58,516)**	**(64,515)**
Total revenue from contracts with customers	**5,343,777**	**4,819,290**	**10,163,067**

For the year ended 31 December 2019

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	5,150,621	3,908,178	9,058,799
Intersegment sales	1,126	7,115	8,241
Intersegment adjustments and eliminations	(1,126)	(7,115)	(8,241)
Total revenue from contracts with customers	5,150,621	3,908,178	9,058,799

NOTES TO FINANCIAL STATEMENTS

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5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) **Disaggregated revenue information** (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	439,232	391,443
Sale of goods	–	8,916
	439,232	400,359

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 180 days from delivery.

Construction services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) **Performance obligations** (continued)

Services

The performance obligation is satisfied over time or at a point in time as services are rendered and short-term advances are normally required before rendering the services. Most service contracts are for periods of one year or less, or are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020	2019
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	534,306	439,232
After one year	362,279	230,196
	896,585	669,428

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to service fee, of which the performance obligations are to be satisfied within 4 to 30 years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

		2020	2019
	Notes	RMB'000	RMB'000
Other income and gains			
Bank interest income		166,067	100,630
Gains on unlisted debt investments, at fair value		111,511	65,628
Gains on disposal of property, plant, and equipment		57,483	63,295
Government grants	5a	73,759	65,263
Fair value gains from financial assets at fair value through profit or loss		283,804	116,961
Interest income from continuing involvement in transferred assets		1,104,605	573,282
Dividends of financial assets at fair value through profit or loss		38,857	–
Realized gains on derecognition of financial assets at fair value through profit or loss		30	64,106
Gains on disposal of subsidiaries		36,135	–
Gains on disposal of part of the equity of a joint venture		600	36,364
Gains on disposal of an associate		1,807	–
Foreign exchange gains, net:			
Cash flow hedges (transfer from equity to offset foreign exchange)		(2,488,036)	–
Foreign exchange gains		2,529,823	–
		41,787	–
Others		63,183	56,958
		1,979,628	1,142,487

5a. Government grants

	2020	2019
	RMB'000	RMB'000
Government special subsidies	73,759	65,263

NOTES TO FINANCIAL STATEMENTS

31 December 2020

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	RMB'000
Interest on bank loans, overdrafts and other loans for the industrial operation business	560,684	251,646
Interest on lease liabilities	56,610	209,652
Total interest expense on financial liabilities not at fair value through profit or loss	617,294	461,298
Less: Interest capitalised	(123)	(666)
	617,171	460,632

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2020	2019
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	8,069,641	8,038,630
Cost of inventories sold	539,321	520,678
Cost of construction services	756,813	278,989
Cost of operating leases	1,185,393	905,865
Cost of chartering	218,211	186,701
Cost of healthcare services	2,747,195	2,165,378
Cost of education services	227,023	232,000
Cost of others	332,569	196,800
Depreciation of property, plant and equipment	254,823	232,779
Less: Government grants released*	(1,145)	(1,970)
	253,678	230,809

NOTES TO FINANCIAL STATEMENTS

31 December 2020

7. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	2020	2019
	RMB'000	RMB'000
Depreciation of right-of-use assets	146,773	183,585
Amortisation of intangible assets and other assets	41,821	33,497
Auditors' remuneration – audit services	4,500	3,940
– other services	5,814	6,530
– other audit & assurance service	3,800	–
Employee benefit expense (including directors' remuneration (Note 8))		
– Wages and salaries		
Current year expenditure	3,711,139	3,087,801
Less: Government grants released*	(648,340)	(588,179)
	3,062,799	2,499,622
– Equity-settled share-based payment expense	162,846	299,666
– Pension scheme contributions	47,090	115,897
– Other employee benefits	211,778	278,939
	3,484,513	3,194,124

NOTES TO FINANCIAL STATEMENTS

31 December 2020

7. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	2020	2019
	RMB'000	RMB'000
Impairment of an investment in a joint venture	10,416	–
Impairment of goodwill (Note 15)	274,560	118,626
Impairment of loans and accounts receivables (Note 23)	2,543,266	2,018,346
Impairment of financial assets included in prepayments, other receivables and other assets	61,646	(36,776)
Impairment of credit commitments	(5,990)	26
Impairment of inventories	18,422	42,861
Impairment of property, plant and equipment	672,410	446,796
Impairment of right-of-use assets	89,860	86,691
Impairment of other asset	76,802	96,000
Lease payments not included in the measurement of lease liabilities	3,829	9,125
Entertainment expenses	108,508	107,687
Business travelling expenses	200,005	264,400
Consultancy fees	231,400	149,600
Office expenses	70,106	44,297
Advertising and promotional expenses	38,663	28,680
Transportation expenses	60,718	34,705
Communication expenses	26,896	21,683
Litigation expenses	28,969	11,472
Other miscellaneous expenses:		
Current year expenditure	375,436	520,334
Less: Government grants released*	(15,717)	(39,167)
	359,719	481,167

NOTES TO FINANCIAL STATEMENTS

31 December 2020

7. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	2020	2019
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	31,784	7,180
Donation	5,904	4,798
Bank commission expenses	43,935	33,967
Foreign exchange losses, net:		
Cash flow hedges (transfer from equity to offset foreign exchange)	–	(420,052)
Foreign exchange losses	–	471,827
	–	51,775
Fair value losses from financial assets at fair value through profit or loss	218,399	77,418
Other expenditure	47,786	39,755
Losses on derecognition of loans and accounts receivables measured at amortised cost**	129,292	267,914

* Government grants have been received by subsidiaries of the Company from the local government for improvement of technology, staff training and development, and others. The government grants received have been deducted from the expenses to which they related. Government grants received for which related expenditure has yet been undertaken are included in deferred revenue in the statement of financial position (Note 33).

** The amounts mainly include losses from derecognition of certain loans and accounts receivables when there is an increase in their credit risk.

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020	2019
	RMB'000	RMB'000
Fees	2,555	2,604
Other emoluments:		
Salaries, allowances and benefits in kind	7,364	7,632
Performance related bonuses*	4,300	4,300
Pension scheme contributions	82	98
	11,746	12,030
	14,301	14,634

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of the Group.

During 2020, certain directors were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 35 and Note 36 to the financial statements, respectively.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020	2019
	RMB'000	RMB'000
Mr. Cai Cunqiang	365	372
Mr. Han Xiaojing	365	372
Mr. Liu Jialing	365	372
Mr. Yip Wai Ming	365	372
	1,460	1,488

NOTES TO FINANCIAL STATEMENTS

31 December 2020

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Non-executive directors

The fees paid to non-executive directors during the year were as follows:

	2020	2019
	RMB'000	RMB'000
Mr. Liu Haifeng	365	372
Mr. Luo Qiang	365	372
Mr. Kuo Mingjian	365	372
	1,095	1,116

(c) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020					
Executive directors:					
Mr. Kong Fanxing	–	4,650	2,500	41	7,191
Mr. Wang Mingzhe	–	2,714	1,800	41	4,555
	–	7,364	4,300	82	11,746

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019					
Executive directors:					
Mr. Kong Fanxing	–	4,784	2,500	49	7,333
Mr. Wang Mingzhe	–	2,848	1,800	49	4,697
	–	7,632	4,300	98	12,030

NOTES TO FINANCIAL STATEMENTS

31 December 2020

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

	Number of employees	
	2020	2019
Directors	**2**	2
Non-directors	**3**	3
	5	5

The five highest paid employees during the year included two (2019: two) directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining three (2019: three) non-director, highest paid employees for the year are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**7,312**	7,127
Performance related bonuses	**3,900**	3,900
Pension scheme contributions	**81**	147
	11,293	11,174

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$3,500,001 to HK$4,000,000 (Equivalent to RMB3,040,486 to RMB3,474,840)	**1**	2
HK$4,000,001 to HK$4,500,000 (Equivalent to RMB3,474,841 to RMB3,909,195)	**1**	–
HK$4,500,001 to HK$5,000,000 (Equivalent to RMB3,909,196 to RMB4,343,550)	**–**	1
HK$5,000,001 to HK$5,500,000 (Equivalent to RMB4,343,551 to RMB4,777,905)	**1**	–
	3	3

During the year ended 31 December 2020, certain highest paid employees were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 35 and Note 36 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

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9. FIVE HIGHEST PAID EMPLOYEES (continued)

The Group has adopted collective economic-gain bonus schemes (the "Schemes") since 2014. According to the Schemes, the Group paid a portion of employee bonus to separate funds (the "Employees' Collectively Owned Funds"). The Employees' Collectively Owned Funds are collectively owned by employees participating in the Scheme until distributed to individual employees. A committee (the "Committee"), elected by the general meeting of employee representatives, is established to be in charge of the management and operation of the Schemes and the determination and distribution of the Employees' Collectively Owned Funds to all individual participating employees. In the view of the directors, the Employees' Collectively Owned Funds are not the property of the Company or any of its subsidiaries, and the Group has no rights and obligations in respect of the management and operation of the Employees' Collectively Owned Funds. During the year ended 31 December 2020, the above information of the five highest paid employees has not taken employees' potential entitlement under the Schemes into consideration.

10. INCOME TAX

	2020	2019
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the year	74,019	75,787
Current – Mainland China		
Charge for the year	3,417,507	2,364,300
Deferred tax (Note 26)	(1,016,967)	(123,514)
Total tax charge for the year	2,474,559	2,316,573

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the tax rate of 25% (2019: 25%) on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

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31 December 2020

10. INCOME TAX (continued)

Corporate Income Tax ("CIT") (continued)

The State Administration of Taxation announced that enterprises of encouraged industries in the Western Region of PRC would have used a preferential tax rate of 15% from 1 January 2011 to 31 December 2020. Deyang The Fifth Hospital Co., Ltd., Chongqing Yudong Hospital Co., Ltd., Nayong Xinli Hospital Co., Ltd. and Chengdu Jinsha Hospital Co., Ltd. were recognized to fulfill the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2016. Zhaotong Renan Hospital Co., Ltd. and Qiaojia Renan Hospital Co., Ltd. were recognised to fulfill the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2017. Qinghai Kangle Hospital Company Ltd. and Renshou Yunchang Hospital Company Limited were recognised to fulfil the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2020.

On 30 October 2015, Shanghai Horizon Equipment & Engineering Co., Ltd. was recognised as a high-technology enterprise by the Shanghai Science and Technology Commission. Since then, Shanghai Horizon Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%. Guangzhou Jinpeng was recognised as a high-technology enterprise in 2017. Since then, Guangzhou Jinpeng has enjoyed a preferential tax rate of 15%.

A reconciliation of the tax charge applicable to profit before tax using the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2020	2019
	RMB'000	RMB'000
Profit before tax	7,507,546	7,144,830
Tax at the statutory income tax rates	2,147,858	1,958,619
Expenses not deductible for tax	256,128	62,167
Income not subject to tax	(211,087)	(76,786)
Adjustment on current income tax in respect of prior years	(76,217)	40,391
Utilisation of previously unrecognised tax losses	(32,761)	(554)
Unrecognised tax losses	291,834	240,509
Effect of recognition of deductible temporary differences that were not recognised in prior years	(4,366)	–
Effect of withholding tax on interest on intra-group balances	103,170	92,227
Income tax expense as reported in the consolidated statement of profit or loss	2,474,559	2,316,573

The share of tax attributable to associates and joint ventures amounting to approximately RMB126,535,000 (31 December 2019: RMB114,691,000) and RMB13,887,000 (31 December 2019: a credit amount of RMB10,958,000), respectively, is included in "Share of net profits of: Associates" and "Share of net losses of: Joint ventures" in the consolidated statement of profit or loss.

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11. DIVIDENDS

	2020	2019
	RMB'000	RMB'000
Proposed final dividend – HK$0.36 (2019: HK$0.33) per ordinary share	1,163,788	1,121,968

A final dividend for the year of 2020 of HK$0.36 per share was proposed at the meeting of the Board of directors ("the Board") held on 30 March 2021. As at 31 December 2020, based on the total number of outstanding ordinary shares of 3,841,006,923 (2019: 3,795,465,996) (excluding the 136,648,367 (2019: 165,353,030) shares held for the share award scheme (Note 36)), the proposed final dividend amounted to approximately HK$1,382,762,000 (2019: HK$1,252,504,000) (equivalent to RMB1,163,788,000 (2019: RMB1,121,968,000)). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the year is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,813,054,365 (2019: 3,807,038,914) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the host debt component of convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share are based on:

Earnings

	2020	2019
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	4,575,751	4,337,602
Interest on the host debt component of convertible bonds	42,993	–
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	4,618,744	4,337,602

Shares

	Number of shares	
	2020	2019
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	3,813,054,365	3,807,038,914
Effect of dilution – weighted average number of ordinary shares:		
Share options	4,202,560	6,997,292
Convertible bonds	155,829,619	–
Weighted average number of ordinary shares for diluted earnings per share	3,973,086,544	3,814,036,206

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13. PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	Leasehold improvements	Buildings	Equipment, tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020:									
Cost	765,605	3,798,087	7,977,680	383,411	103,029	437,435	1,796,027	416,857	15,678,131
Accumulated depreciation and impairment	(452,649)	(476,105)	(2,243,896)	(231,988)	(61,220)	–	(477,062)	(152,233)	(4,095,153)
Net carrying amount	312,956	3,321,982	5,733,784	151,423	41,809	437,435	1,318,965	264,624	11,582,978
At 1 January 2020, net of accumulated depreciation and impairment	312,956	3,321,982	5,733,784	151,423	41,809	437,435	1,318,965	264,624	11,582,978
Additions	110,626	130,346	6,100,715	82,281	47,919	602,572	–	5,079	7,079,538
Transfer from right-of-use assets (Note 14)	–	–	126,670	–	–	–	672,427	–	799,097
Acquisition of subsidiaries (Note 39)	–	464,588	58,134	7,638	385	1,077	–	–	531,822
Depreciation provided during the year	(97,621)	(158,614)	(1,073,433)	(59,579)	(16,937)	–	(71,433)	(84,129)	(1,561,746)
Disposal of subsidiaries (Note 40)	(2,090)	–	(10,121)	(20)	–	(540)	–	–	(12,771)
Transfers	15,542	401,202	100,327	11,049	–	(531,129)	–	3,009	–
Disposals	–	(7,384)	(146,109)	(2,302)	(711)	–	(671,432)	–	(827,938)
Exchange realignment	–	–	–	–	–	–	(46,969)	–	(46,969)
Impairment	(165,138)	(39,703)	(207,280)	(9,412)	–	–	(250,877)	–	(672,410)
At 31 December 2020, net of Accumulated depreciation and impairment	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601
At 31 December 2020:									
Cost	650,852	4,833,966	14,110,191	465,667	143,209	509,415	1,679,840	424,943	22,818,083
Accumulated depreciation and impairment	(444,944)	(721,548)	(3,459,138)	(284,588)	(70,744)	–	(729,159)	(236,361)	(5,946,482)
Net carrying amount	205,908	4,112,418	10,651,053	181,079	72,465	509,415	950,681	188,582	16,871,601

As at 31 December 2020, the Group has not obtained the property ownership certificates for five buildings (31 December 2019: four) with a net book value of RMB569,052,000 (31 December 2019: RMB347,023,000).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2020.

As at 31 December 2020, property, plant and equipment with a net carrying amount of RMB2,551,259,000 (31 December 2019: RMB1,296,147,000) were pledged to secure general banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2019

	Leasehold improvements	Buildings	Equipment, tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019:									
Cost	511,180	2,719,096	5,784,032	286,465	95,081	934,036	1,860,427	346,115	12,536,432
Accumulated depreciation and impairment	(126,109)	(307,790)	(1,509,751)	(169,939)	(53,354)	–	(321,242)	(72,203)	(2,560,388)
Net carrying amount	385,071	2,411,306	4,274,281	116,526	41,727	934,036	1,539,185	273,912	9,976,044
At 1 January 2019, net of accumulated depreciation and impairment	385,071	2,411,306	4,274,281	116,526	41,727	934,036	1,539,185	273,912	9,976,044
Acquisition of subsidiaries	5,595	180,404	194,628	10,823	2,359	6,054	–	–	399,863
Additions	128,215	69,007	2,133,158	78,832	10,021	477,479	7,930	10,871	2,915,513
Depreciation provided during the year	(91,923)	(123,655)	(698,727)	(55,603)	(11,555)	–	(67,955)	(80,030)	(1,129,448)
Transfers	115,291	792,676	7,358	4,938	–	(980,134)	–	59,871	–
Disposals	–	(7,756)	(133,903)	(2,530)	(743)	–	(17,447)	–	(162,379)
Exchange realignment	–	–	–	–	–	–	30,181	–	30,181
Impairment	(229,293)	–	(43,011)	(1,563)	–	–	(172,929)	–	(446,796)
At 31 December 2019, net of accumulated depreciation and impairment	312,956	3,321,982	5,733,784	151,423	41,809	437,435	1,318,965	264,624	11,582,978
At 31 December 2019:									
Cost	765,605	3,798,087	7,977,680	383,411	103,029	437,435	1,796,027	416,857	15,678,131
Accumulated depreciation and impairment	(452,649)	(476,105)	(2,243,896)	(231,988)	(61,220)	–	(477,062)	(152,233)	(4,095,153)
Net carrying amount	312,956	3,321,982	5,733,784	151,423	41,809	437,435	1,318,965	264,624	11,582,978

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 17 years, while equipment generally has lease terms between 5 and 10 years or of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) **Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	Buildings	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	1,546,827	833,000	8,721	2,388,548
Additions	54,645	383,548	763,686	1,201,879
Acquisition of subsidiaries	40,911	2,697	73,181	116,789
Impairment	–	(86,691)	–	(86,691)
Depreciation charge	(36,964)	(152,327)	(8,452)	(197,743)
As at 31 December 2019 and 1 January 2020	**1,605,419**	**980,227**	**837,136**	**3,422,782**
Additions	**32,084**	**164,405**	–	**196,489**
Acquisition of subsidiaries (Note 39)	**54,003**	–	**19,995**	**73,998**
Impairment	–	**(89,860)**	–	**(89,860)**
Depreciation charge	**(40,703)**	**(171,802)**	**(38,909)**	**(251,414)**
Disposal of subsidiaries (Note 40)	**(177,075)**	**(234,083)**	–	**(411,158)**
Transfer to property, plant and equipment	–	–	**(799,097)**	**(799,097)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(4,156)**	**(78,342)**	–	**(82,498)**
As at 31 December 2020	**1,469,572**	**570,545**	**19,125**	**2,059,242**

As at 31 December 2020, the Group's leasehold land of approximately RMB863,748,000 (31 December 2019: RMB889,712,000) was pledged to secure general banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14. LEASES (continued)

The Group as a lessee (continued)

(b) **Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020	2019
	RMB'000	RMB'000
Carrying amount at 1 January	**1,873,077**	844,821
New leases	**155,427**	1,111,424
Additions as a result of acquisition of subsidiaries (Note 39)	**32,981**	66,989
Accretion of interest recognised during the year (Note 6)	**56,610**	64,156
Payments	**(962,182)**	(214,313)
Disposal of subsidiaries (Note 40)	**(254,491)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(80,830)**	–
Carrying amount at 31 December	**820,592**	1,873,077
Analysed into:		
Current portion	**237,544**	236,375
Non-current portion	**583,048**	1,636,702

The maturity analysis of lease liabilities is disclosed in Note 48 to the financial statements.

(c) **The amounts recognised in profit or loss in relation to leases are as follows:**

	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities	**56,610**	64,156
Depreciation charge for right-of-use assets	**251,414**	197,743
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	**3,798**	8,753
Expense relating to leases of low-value assets (included in administrative expenses)	**31**	372
Total amount recognised in profit or loss	**311,853**	271,024

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14. LEASES (continued)

The Group as a lessee (continued)

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Note 41(c) and Note 44, respectively, to the financial statements.

The Group as a lessor – operating lease

The Group leases its equipment, tools and moulds under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB2,484,554,000 (2019: RMB2,036,435,000), details of which are included in Note 5 to the financial statements.

At 31 December 2020, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	RMB'000	RMB'000
Within one year	2,254,990	1,370,311
After one year but within two years	335,435	410,009
After two years but within three years	12,121	205,005
After three years but within four years	–	64,722
	2,602,546	2,050,047

NOTES TO FINANCIAL STATEMENTS

31 December 2020

15. GOODWILL

	RMB'000
Cost at 1 January 2019, net of accumulated impairment	1,716,527
Acquisition of subsidiaries	723,936
Impairment during the year	(118,626)
Cost and net carrying amount at 31 December 2019	2,321,837
At 31 December 2019:	
Cost	2,602,388
Accumulated impairment	(280,551)
Net carrying amount	2,321,837
Cost at 1 January 2020, net of accumulated impairment	2,321,837
Acquisition of subsidiaries (Note 39)	28,978
Disposal of subsidiaries (Note 40)	(44,023)
Impairment during the year	(274,560)
Cost and net carrying amount at 31 December 2020	2,032,232
At 31 December 2020:	
Cost	2,587,343
Accumulated impairment	(555,111)
Net carrying amount	2,032,232

Goodwill acquired through business combinations is allocated to each acquired subsidiary (Note 39) as the cash-generating units ("CGUs") within the medical service industry and educational service industry for impairment testing, which, for the purpose of the presentation, were grouped as follows:

- Medical service industry;
- Educational service industry.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

15. GOODWILL (continued)

For cash-generating units within medical service industry

The recoverable amount of each CGU within the medical service industry has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period or a longer period which can be justified and approved by senior management. The post-tax discount rate applied to the cash flow projections is 14.0% (2019: 14.0%). The implied pre-tax discount rates for the cash flow projections are 15.9% to 17.8% (2019: 16.0% to 17.9%).

As at 31 December 2020, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB251,565,000 arising from the acquisition of some hospitals was higher than its recoverable amount, which is nil. Considering the fact that the actual medical service income was below the previously expected financial budget, management estimated that the future cash flows of these hospitals would probably be reduced to lower than originally expected, resulting in a decrease in value-in-use calculation. As a result, an impairment loss of approximately RMB251,565,000 (2019: Nil) was recognised in the Group's consolidated financial statements for the year ended 31 December 2020.

For cash-generating units within the educational service industry

The recoverable amount of each CGU within the educational service industry has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The post-tax discount rate applied to the cash flow projections is 17.0% (2019: 17.0%). The implied pre-tax discount rate for the cash flow projections is 23.4% (2019: 22.3%).

As at 31 December 2020, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB22,995,000 arising from the acquisition of a school was higher than its recoverable amount, which is nil. Considering the fact that the actual educational service income was below the previously expected financial budget, management estimated that the future cash flows of the school would probably be reduced to lower than originally expected, resulting in a decrease in value-in-use calculation. As a result, an impairment loss of approximately RMB22,995,000 (2019: RMB53,510,000) was recognised in the Group's consolidated financial statements for the year ended 31 December 2020.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

15. GOODWILL (continued)

The carrying amounts of goodwill are as follows:

	2020	2019
	RMB'000	RMB'000
Medical service industry	2,026,667	2,316,272
Educational service industry	5,565	5,565
Total	2,032,232	2,321,837

Assumptions were used in the value-in-use calculation of each CGU within the medical service industry and educational service industry for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flows projections to undertake impairment testing of goodwill:

Expected gross margin – the basis used to determine the value assigned to the expected gross margin is the gross margin achieved in the current year, adjusted for expected growth and other changes, and expected market development.

Discount rates – the discount rates used reflect specific risks relating to the units.

The values assigned to the key assumptions on market development of the medical service industry and the educational service industry, and the discount rates are comparable to external information sources.

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16. OTHER INTANGIBLE ASSETS

	2020	2019
	RMB'000	RMB'000
Software (Note 16a)	49,079	34,063
Others	50	402
	49,129	34,465

16a. SOFTWARE

	2020	2019
	RMB'000	RMB'000
Cost:		
At the beginning of the year	104,084	93,822
Acquisition of subsidiaries (Note 39)	6,961	5,212
Additions	22,384	18,940
Disposals	(11,771)	(13,890)
Disposal of subsidiaries (Note 40)	(3,689)	–
At the end of the year	117,969	104,084
Accumulated amortisation:		
At the beginning of the year	(70,021)	(72,280)
Acquisition of subsidiaries (Note 39)	(1,145)	(1,344)
Additions	(12,098)	(8,918)
Disposals	11,693	12,521
Disposal of subsidiaries (Note 40)	2,681	–
At the end of the year	(68,890)	(70,021)
Net carrying amount:		
At the end of the year	49,079	34,063
At the beginning of the year	34,063	21,542

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. SCOPE OF CONSOLIDATION

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows:

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) (Note ii)	PRC/Mainland China 13 September 1991	US$1,816,710,922	100	–	Finance leasing
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) (Note ii)	PRC/Mainland China 10 December 2013	RMB6,500,000,000	55.38	44.62	Finance leasing
Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司) (Note ii)	PRC/Mainland China 12 January 2017	RMB2,500,000,000/ RMB2,050,000,000	45	55	Finance leasing
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) (Note ii)	PRC/Mainland China 28 April 2006	RMB10,400,000,000/ RMB9,700,000,000	–	100	Trading
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司) (Note ii)	PRC/Mainland China 4 March 2010	RMB100,000,000	–	100	Engineering and trading
Shanghai Dopont Industrial Co., Ltd. ("Dopont") (上海德朋實業有限公司) (Note ii)	PRC/Mainland China 10 November 2011	RMB7,000,000,000/ RMB4,800,000,000	–	100	Trading
Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司) (Note i)	Cayman Islands 2 October 2009	US$1,000	100	–	Investment holding
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設發展有限公司) (Note ii)	PRC/Mainland China 14 April 2014	RMB3,000,000,000	–	91.72	Construction
Shanghai Horizon Equipment & Engineering Co., Ltd. (上海宏信設備工程有限公司) (Note ii)	PRC/Mainland China 13 July 2011	RMB3,712,984,400	–	91.72	Operating leasing

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Equipment Rental Co., Ltd. (天津宏信設備租賃有限公司) (Note ii)	PRC/Mainland China 27 July 2012	RMB100,000,000	–	91.72	Operating leasing
Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司) (Note ii)	PRC/Mainland China 12 January 2016	RMB3,000,000,000/ RMB2,500,000,000	–	100	Investment holding
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備工程有限公司) (Note ii)	PRC/Mainland China 2 August 2013	RMB600,000,000	–	91.72	Operating leasing
Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. (益陽市昱宏基礎設施建設發展有限公司) (Note ii)	PRC/Mainland China 26 November 2015	RMB30,000,000	–	100	Construction
Pan Zhou Yuhong Infrastructure Investment Co., Ltd. (盤州市昱宏基礎設施投資有限公司) (Note ii)	PRC/Mainland China 7 November 2015	RMB80,000,000	–	100	Construction
Ziyang Yuyi Construction Investment Co., Ltd. (資陽市昱奕建設投資有限公司) (Note ii)	PRC/Mainland China 29 July 2016	RMB100,000,000	–	98.15	Construction
Jishou Yuxin Construction Investment Co., Ltd. (吉首市昱信建設發展有限公司) (Note ii)	PRC/Mainland China 14 September 2016	RMB93,400,000	–	90	Construction
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd. (延安市延延連接線建設投資有限公司) (Note ii)	PRC/Mainland China 19 January 2017	RMB202,318,678	–	54	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd. (延安昱華建設投資有限公司) (Note ii)	PRC/Mainland China 22 September 2017	RMB92,858,760	–	60	Construction
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd. (鐘祥宏瑞建設投資有限公司) (Note ii)	PRC/Mainland China 25 October 2017	RMB296,817,100	–	90	Construction
Guangzhou Horizon Equipment & Engineering Co., Ltd. (廣州宏途設備工程有限公司) (Note ii)	PRC/Mainland China 23 March 2015	RMB1,133,220,000	–	91.72	Operating leasing
Grand Flight Investment Management Co., Ltd. (宏翔投資管理有限公司) (Note i)	British Virgin Islands 12 August 2014	US$1	–	100	Investment holding
Shanghai Thrive Kind Healthcare Investment Co., Ltd. (上海臻慈醫療投資有限公司) (Note ii)	PRC/Mainland China 10 February 2015	RMB400,000,000/ RMB146,940,000	–	100	Investment holding
Horizon Education Investment Holding (Shanghai) Co., Ltd. (上海宏信教育投資控股有限公司) (Note ii)	PRC/Mainland China 17 July 2014	RMB200,000,000	–	100	Investment holding
Shanghai Team Joy Management Limited (上海周濟同悦資產管理有限公司) (Note ii)	PRC/Mainland China 23 October 2015	RMB279,111,217	–	100	Investment holding
Shanghai Montessori Academy Co., Ltd. (上海森勝蒙世教育投資有限公司) (Note ii)	PRC/Mainland China 2 April 2015	RMB121,970,168	–	100	Investment holding

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31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wuhan Montessori Academy Co., Ltd. (武漢森勝蒙世教育諮詢有限公司) (Note ii)	PRC/Mainland China 7 April 2016	RMB2,000,000/ RMB1,000,000	–	100	Investment holding
Xiamen Montessori Academy Co., Ltd. (廈門森勝蒙世教育諮詢有限公司) (Note ii)	PRC/Mainland China 18 February 2016	RMB2,000,000	–	100	Investment holding
Montessori Academy Xiamen Siming Campus (廈門市思明區蒙世學堂幼兒園) (Note ii)	PRC/Mainland China 28 October 2016	RMB2,000,000	–	100	Education services
Shanghai Xi Wei Investment Consulting Co., Ltd. (上海習威投資諮詢有限公司) (Note ii)	PRC/Mainland China 21 November 2012	RMB4,000,000	–	100	Investment holding
Montessori Academy Biyun Campus (上海浦東新區民辦習威幼兒園) (Note ii)	PRC/Mainland China 8 October 2014	RMB2,000,000	–	100	Education services
Shanghai Montessori Academy Development Co., Ltd. (上海蒙世學堂文化發展有限公司) (Note ii)	PRC/Mainland China 7 March 2002	RMB1,000,000	–	100	Education services
Kunshan Yi Ze Education Consulting Co., Ltd. (昆山易擇教育諮詢有限公司) (Note ii)	PRC/Mainland China 7 May 2010	RMB50,000	–	100	Investment holding
Shanghai Teamally Enterprise Management Co., Ltd. (上海和祁企業管理有限公司) (Note ii)	PRC/Mainland China 21 July 2015	RMB136,910,000	–	100	Investment holding
Shanghai Shengyi Yuanhong Investment Co., Ltd. (上海聖裔遠宏投資有限公司) (Note ii)	PRC/Mainland China 10 August 2015	RMB1,219,500	–	100	Investment holding

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17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hongwen School Chengdu Anren Campus (成都大邑縣安仁宏文外國語培訓學校) (Note ii)	PRC/Mainland China 11 November 2015	RMB1,000,000	–	100	Education services
Confucius International School Qingdao (青島市市南區宏文外語學校) (Note ii)	PRC/Mainland China 28 April 2010	RMB1,200,000	–	90	Education services
Horizon Healthcare Management (Shanghai) Co., Ltd. (上海宏信醫院管理有限公司) (Note ii)	PRC/Mainland China 27 December 2012	RMB5,000,000	–	81	Advisory services
Far East Healthcare Holding Limited (遠東醫療控股有限公司) (Note i)	Hong Kong 30 August 2012	HK$10,000,000	–	100	Investment holding
Tianjin Renju Investment Management Co., Ltd. (天津仁聚投資控股有限公司) (Note ii)	PRC/Mainland China 12 January 2015	US$450,000,000/ US$433,986,634	–	100	Investment holding
Horizon Healthcare Investment & Holding (Shanghai) Co., Ltd. (上海宏信醫療投資控股有限公司) (Note ii)	PRC/Mainland China 26 April 2013	RMB1,800,000,000	–	100	Investment holding
Huakang Orthopaedics Hospital Co., Ltd. (惠州華康醫院有限公司) (Note ii)	PRC/Mainland China 20 February 2004	RMB35,130,000	–	69.30	Medical services
Siping Cancer Institute & Hospital Co., Ltd. (四平市腫瘤醫院有限公司) (Note ii)	PRC/Mainland China 23 April 2014	RMB58,823,990	–	58.48	Medical services

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31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Binhai Xinrenci Hospital Co., Ltd. (濱海新仁慈醫院有限公司) (Note ii)	PRC/Mainland China 20 January 2015	RMB4,112,900	–	66.06	Medical services
Anda Jiren Hospital Co., Ltd. (安達市濟仁醫院有限責任公司) (Note ii)	PRC/Mainland China 9 April 2015	RMB20,460,878	–	50.44	Medical services
Zhoushan Dinghai Guanghua Hospital Co., Ltd. (舟山市定海廣華醫院有限責任公司) (Note ii)	PRC/Mainland China 17 May 2012	RMB18,200,205	–	42.20	Medical services
Zhoushan Putuo Guanghua Hospital Co., Ltd. (舟山市普陀廣華醫院有限責任公司) (Note ii)	PRC/Mainland China 17 December 2013	RMB20,000,000	–	29.54	Medical services
Deyang The Fifth Hospital Co., Ltd. (德陽第五醫院股份有限公司) (Note ii)	PRC/Mainland China 6 January 2012	RMB145,000,000	–	70	Medical services
Nayong Xinli Hospital Co., Ltd. (納雍新立醫院有限公司) (Note ii)	PRC/Mainland China 12 May 2016	RMB11,381,469	–	51	Medical services
Siyang Hospital of Traditional Chinese Medicine Co., Ltd. (泗陽縣中醫院有限公司) (Note ii)	PRC/Mainland China 6 January 2016	RMB30,000,000	–	50	Medical services
Siyang XieHe Hospital Co., Ltd. (泗陽協和醫院有限公司) (Note ii)	PRC/Mainland China 8 July 2016	RMB3,833,333	–	35	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chongqing Yudong Hospital Co., Ltd. (重慶渝東醫院有限責任公司) (Note ii)	PRC/Mainland China 7 December 2007	RMB29,154,515	–	51	Medical services
Zhengzhou Renji Hospital Co., Ltd. (鄭州仁濟醫院有限公司) (Note ii)	PRC/Mainland China 6 December 2016	RMB21,000,000	–	51	Medical services
Shenzhen CiHai Hospital (深圳慈海醫院) (Note ii)	PRC/Mainland China 21 December 2015	RMB50,000,000/ RMB0	–	80	Medical services
Shenzhen ZhongHai Hospital (深圳中海醫院) (Note ii)	PRC/Mainland China 21 December 2015	RMB50,000,000/ RMB30,000,000	–	80	Medical services
Dongguan Tangxia GuanHua Hospital Co., Ltd. (東莞市塘廈莞華醫院有限公司) (Note ii)	PRC/Mainland China 12 January 2016	RMB23,000,000/ RMB0	–	80	Medical services
Daishan Guanghua Orthopedic Hospital Co., Ltd. (岱山廣華骨傷醫院有限公司) (Note ii)	PRC/Mainland China 4 January 2017	RMB140,000,000	–	52.43	Medical services
Meizhou TieLuQiao Hospital Co., Ltd. (梅州鐵爐橋醫院有限公司) (Note ii)	PRC/Mainland China 8 December 2015	RMB13,422,819	–	51	Medical services
Zhaotong Renan Hospital Co., Ltd. (昭通仁安醫院有限責任公司) (Note ii)	PRC/Mainland China 8 November 2013	RMB534,545,000	–	80	Medical services
Qiaojia Renan Hospital Co., Ltd. (巧家仁安醫院有限公司) (Note ii)	PRC/Mainland China 1 April 2017	RMB500,000	–	80	Medical services

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31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Junda Enterprise Management Co., Ltd. (天津駿達企業管理有限公司) (Note ii)	PRC/Mainland China 4 November 2016	RMB100,000/ RMB0	–	100	Investment management
Tianjin Xiangji Enterprise Management Center (Limited Partnership) (天津祥驥企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 15 June 2016	RMB10,000/ RMB0	–	95.95	Investment management
Shanghai Grand Glory Eco Technology Co., Ltd. (上海宏瑞環保科技有限公司) (Note ii)	PRC/Mainland China 26 December 2014	RMB50,000,000/ RMB22,000,000	–	100	Ecotechnology
Far east Horizon Medical Technology Development Co., Ltd. (遠東宏信醫療科技發展有限公司) (Note ii)	PRC/Mainland China 16 November 2016	RMB50,000,000	–	100	Investment holding
Shanghai Everboom Health Investment Co., Ltd. (上海佰昆健康投資有限公司) (Note ii)	PRC/Mainland China 21 April 2016	RMB100,000,000	–	100	Investment holding
Shanghai Team Grow Management Limited (上海周濟同曆資產管理有限公司) (Note ii)	PRC/Mainland China 5 October 2015	RMB10,000,000/ RMB5,000,000	–	100	Investment management
Jinhua Rehabilitation Hospital Co., Ltd. (金華康復醫院有限公司) (Note ii)	PRC/Mainland China 1 November 2016	RMB50,000,000	–	60	Medical services
Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd (唐山曹妃甸昱瑞建設工程有限公司) (Note ii)	PRC/Mainland China 31 March 2016	RMB84,920,000/ RMB34,560,100	–	81.63	Construction

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31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Hongwen School (上海浦東新區民辦宏文學校) (Note ii)	PRC/Mainland China 22 March 2018	RMB10,000,000	–	100	Education services
Montessori Academy Xiushan Campus (上海徐匯區民辦蒙世學堂秀山幼兒園) (Note ii)	PRC/Mainland China 31 May 2018	RMB2,000,000	–	100	Education services
Montessori Academy Xuhui Campus (上海徐匯區民辦蒙世學堂幼兒園) (Note ii)	PRC/Mainland China 3 January 2018	RMB2,000,000	–	100	Education services
Chengdu Gaoxinyuan Company Limited (成都高新區蒙世幼兒園) (Note ii)	PRC/Mainland China 5 May 2014	RMB2,400,000	–	100	Education services
Xianning Matang Hospital Company Limited (咸甯麻塘風濕病醫院有限公司) (Note ii)	PRC/Mainland China 23 August 2006	RMB22,448,980	–	51	Medical services
Renshou Yunchang Hospital Company Limited (仁壽運長醫院有限責任公司) (Note ii)	PRC/Mainland China 20 October 2016	RMB40,000,000	–	60	Medical services
Jinhua Hongyue Women & Children Hospital Co., Ltd (金華宏悦婦女兒童醫院有限公司) (Note ii)	PRC/Mainland China 8 February 2018	RMB100,000,000/ RMB87,000,000	–	60	Medical services
Qinghai Kangle Hospital Company Limited (青海省康樂醫院有限公司) (Note ii)	PRC/Mainland China 14 September 2017	RMB25,000,000	–	60	Medical services
Xinxiang League Hospital Company Limited (新鄉同盟醫院有限公司) (Note ii)	PRC/Mainland China 9 November 2017	RMB22,727,272	–	51	Medical services

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31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sihui Wanlong Hospital Co., Ltd (四會萬隆醫院有限公司) (Note ii)	PRC/Mainland China 9 June 2003	RMB127,120,000/ RMB100,590,035	–	100	Medical services
Tianjin Horizon Yuanzhan Enterprise Management Co., Ltd. (宏信遠展企業管理有限公司) (Note ii)	PRC/Mainland China 29 March 2018	RMB900,000,000	–	100	Investment management
Tianjin Hongtuo Investment Management Co., Ltd. (宏拓投資管理有限公司) (Note ii)	PRC/Mainland China 9 November 2017	RMB3,000,000,000	–	100	Investment management
Tianjin Kaifeng Enterprise Management Co., Ltd. (天津凱鋒企業管理有限公司) (Note ii)	PRC/Mainland China 10 January 2018	RMB100,000,000	–	100	Investment management
Hongjie Asset Management Co., Ltd. (宏杰資產管理有限公司) (Note ii)	PRC/Mainland China 29 January 2018	RMB1,000,000,000	–	100	Investment management
Horizon Financial Company Limited (宏信金服(天津)信息科技有限公司) (Note ii)	PRC/Mainland China 10 May 2018	RMB30,000,000	–	80	Investment management
Far East Horizon Consulting Service Co., Ltd. (遠東宏信諮詢服務有限公司) (Note ii)	PRC/Mainland China 8 December 2017	RMB50,000,000/ RMB500,000	–	100	Investment management
Yushan Yusheng Construction & Engineering Investment Co., Ltd. (玉山縣玉昇建設工程投資有限公司) (Note ii)	PRC/Mainland China 20 December 2017	RMB162,530,000	–	99	Construction

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31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nanchang Hongdi Infrastructure Construction Co., Ltd. (南昌市宏迪建設有限公司) (Note ii)	PRC/Mainland China 8 August 2017	RMB20,000,000/ RMB19,800,000	–	94	Construction
Far East Horizon Medical Group Co., Ltd. (遠東宏信醫院集團有限公司) (Note ii)	PRC/Mainland China 13 April 2015	RMB3,000,000,000/ RMB2,826,890,000	–	100	Investment holding
Tianjin Taolesi Education Consulting Co., Ltd (天津市桃樂絲教育諮詢有限公司) (Note ii)	PRC/Mainland China 2 June 2016	RMB2,000,000/ RMB500,000	–	100	Education services
Suqian Hongjing Water Treatment Co., Ltd. (宿遷市宏景水處理有限責任公司) (Note ii)	PRC/Mainland China 25 July 2019	RMB287,753,200/ RMB62,411,100	–	77	Ecotechnology
Guangzhou Wealth Healthy Electronics Co., Ltd. (廣州源康精密電子股份有限公司) (Note ii)	PRC/Mainland China 20 May 2005	RMB64,000,000	–	50.53	Ecotechnology
Changsha Yuhua Green Olive Kinder Garden (長沙市雨花區青橄欖幼兒園有限公司) (Note ii)	PRC/Mainland China 13 July 2018	RMB600,000	–	100	Education services
Chengdu Jinsha Hospital Co., Ltd. (成都金沙醫院有限公司) (Note ii)	PRC/Mainland China 18 June 2014	RMB10,000,000	–	100	Medical services
Ningbo Zhenhai Second Hospital Co., Ltd. (寧波鎮海第二醫院) (Note ii)	PRC/Mainland China 27 September 2017	RMB25,171,080	–	70	Medical services

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31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhecheng Hospital of Traditional Chinese Medicine Co., Ltd. (柘城中醫院有限公司) (Note ii)	PRC/Mainland China 21 March 2019	RMB3,630,858	–	51	Medical services
Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司) (Note ii)	PRC/Mainland China 23 November 2017	RMB4,000,000,000	–	100	Investment management
Shanghai Baiyue Property Service Co., Ltd. (上海柏悅物業服務有限公司) (Note ii)	PRC/Mainland China 16 August 2016	RMB5,000,000	–	100	Property services
Shanghai Jingyi Enterprise Management Co., Ltd (上海景屹企業管理有限公司) (Note ii)	PRC/Mainland China 31 December 2016	RMB10,000,000	–	100	Investment management
Tianjin Hongmao Enterprise Management Co., Ltd (天津宏茂企業管理有限公司) (Note ii)	PRC/Mainland China 5 January 2018	RMB730,000,000/ RMB511,000,000	–	100	Investment management
Tianjin Horizon Yuanpeng Enterprise Management Co., Ltd (天津宏信遠鵬企業管理有限公司) (Note ii)	PRC/Mainland China 27 February 2018	RMB700,000,000	–	100	Investment management
Tianjin Junmeng Management Co., Ltd (天津駿盟企業管理有限公司) (Note ii)	PRC/Mainland China 12 April 2017	RMB100,000,000	–	100	Investment management
Tianjin Juntai Enterprise Management Co., Ltd (天津駿泰企業管理有限公司) (Note ii)	PRC/Mainland China 16 March 2017	RMB300,000,000	–	95.28	Investment management

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Junjia Enterprise Management Co., Ltd (天津駿嘉企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB700,000,000	–	100	Investment management
Tianjin Junhai Enterprise Management Co., Ltd (天津駿海企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB300,000,000	–	100	Investment management
Tianjin Junyang Enterprise Management Co., Ltd (天津駿洋企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB180,000,000/ RMB113,000,000	–	100	Investment management
Tianjin Kaifeng Enterprise Management Co., Ltd (天津凱鋒企業管理有限公司) (Note ii)	PRC/Mainland China 10 January 2018	RMB10,000,000	–	100	Investment management
Shanghai Hongzuo New Energy Co., Ltd (上海宏祚新能源科技有限公司) (Note ii)	PRC/Mainland China 14 August 2017	RMB111,110,000/ RMB61,890,000	–	94.46	Ecotechnology
Tianjin Junrui Enterprise Management Co., Ltd (天津駿瑞企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB33,100,000	–	57.4	Investment management
Yangzhou Jianglin Construction & Investment Co., Ltd (揚州江臨投資建設有限公司) (Note ii)	PRC/Mainland China 21 April 2017	RMB300,000,000	–	90	Construction investment
Jinyun Hongzhi Transportation Investment Co., Ltd (縉雲縣宏冶交通投資有限公司) (Note ii)	PRC/Mainland China 29 September 2018	RMB346,122,000/ RMB85,061,300	–	94.05	Investment management
Linghai Dalinghe Hospital Co., Ltd (淩海大淩河醫院有限責任公司) (Note ii)	PRC/Mainland China 8 August 2016	RMB87,833,334	–	70	Medical services

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31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Longpei (Shanghai) Enterprise Management Limited (礱佩(上海)企業管理有限公司) (Note ii)	PRC/Mainland China 29 June 2020	RMB5,000,000	–	100	Investment management
FE Jintai (Tianjin) Investment L.P. (遠東金泰(天津)投資合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 7 September 2020	RMB1,001,000,000	–	30.07	Investment management
Zibo Hongjia Construction Investment Limited (淄博市宏嘉建設投資有限公司) (Note ii)	PRC/Mainland China 16 July 2020	RMB100,000,000/ RMB85,000,000	–	90	Construction
Shanghai Hongsun Engineering Management Limited (上海宏昇工程管理有限公司) (Note ii)	PRC/Mainland China 22 October 2019	RMB30,000,000/ RMB4,000,000	–	100	Construction
Tianjin Tongli Hongyang No.3 Enterprise Management and Advisory Centre (LP) (天津同曆宏陽三號企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 6 September 2017	RMB29,960,000/ RMB29,950,000	–	22.04	Investment management
Tianjin Tongli Bingying No.6 Equity Investment Fund Partnership Enterprise (LP) (天津同曆並贏六號股權投資基金合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 6 August 2020	RMB50,010,000/ RMB50,000,000	–	78.86	Investment management
Tianjin Tongli Bingying No.8 Equity Investment Fund Partnership Enterprise (LP) (天津同曆並贏八號股權投資基金合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 7 August 2020	RMB42,010,000/ RMB40,080,000	–	95.24	Investment management

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chuzhou Fuzuo New Energy Technology Co., Ltd (滁州市福祚新能源科技有限公司) (Note ii)	PRC/Mainland China 29 May 2020	RMB2,699,000	–	90	Ecotechnology
Kunshan Hongxu New Energy Technology Co., Ltd (昆山市宏旭新能源科技有限公司) (Note ii)	PRC/Mainland China 21 May 2020	RMB2,677,420	–	90	Ecotechnology
Nantong Hanjiang New Energy Technology Co., Ltd (南通漢將新能源科技有限公司) (Note ii)	PRC/Mainland China 10 September 2019	RMB5,000,000/ RMB4,945,563	–	90	Ecotechnology
Foshan Qingshun Solar Energy Technology Co., Ltd (佛山晴順太陽能科技有限公司) (Note ii)	PRC/Mainland China 6 December 2019	RMB5,000,000/ RMB1,853,000	–	90	Ecotechnology
Tianjin Yuhui Solar Energy Co., Ltd (天津昱輝光伏發電有限公司) (Note ii)	PRC/Mainland China 17 August 2018	RMB5,000,000/ RMB3,370,000	–	90	Ecotechnology
Foshan Qinghao Solar Energy Technology Co., Ltd (佛山晴浩新能源科技有限公司) (Note ii)	PRC/Mainland China 14 July 2020	RMB5,000,000/ RMB3,820,600	–	90	Ecotechnology
Huihong (Tianjin) Enterprise Management and Advisory Centre (LP) (天津匯宏企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 15 September 2020	RMB56,641,200/ RMB48,820,000	–	80	Investment management
Grand Flight Yongxuan (Tianjin) Enterprise Management Centre (LP) (天津遠翼永宣企業管理中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 11 October 2018	RMB701,000,000/ RMB393,060,131	–	99.76	Investment management

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
The National Mathematics and Science College Limited (英國國家文理中學) (Note i)	Britain 2 February 2015	UK£50,000	–	75	Education services
Yingke (Beijing) International Education Advisory Co., Ltd. (英科(北京)國際教育諮詢有限公司) (Note ii)	PRC/Mainland China 27 June 2017	RMB20,000,000/ RMB1,146,276	–	75	Education services
Yantai Grand Light Municiple Development Limited (煙台宏明城市發展有限公司) (Note ii)	PRC/Mainland China 19 August 2020	US$30,000,000/ US$15,096,017	–	100	Investment management
Pizhou Dongda Hospital Co., Ltd. (邳州市東大醫院有限公司) (Note ii)	PRC/Mainland China 19 September 2011	RMB181,603,602	–	54.67	Medical services
Hongyi Commercial Factoring (Tianjin) Co., Ltd. (宏伊商業保理(天津)有限公司) (Note ii)	PRC/Mainland China 5 March 2020	RMB50,000,000	–	100	Factoring
Horizon Construction Development Limited (宏信建設發展有限公司) (Note i)	Cayman Islands 28 September 2020	US$50,000	–	91.72	Construction
Jinsheng Construction (Hong Kong) Limited. (晉勝建設(香港)有限公司) (Note i)	Hong Kong 19 December 2014	HK$1	–	91.72	Investment holding

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17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Construction Development Investment Co., Ltd. (天津宏信建發投資有限公司) (Note ii)	PRC/Mainland China 20 June 2019	US$1,000,000,000/ US$663,933,547	–	91.72	Investment holding
Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司) (Note ii)	PRC/Mainland China 20 April 2020	RMB200,000,000	–	91.72	Construction
Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司) (Note ii)	PRC/Mainland China 19 November 2020	RMB200,000,000/ RMB0	–	91.72	Construction
Tianjin Horizon Construction Development Leasing Co., Ltd. (天津宏信建發租賃有限公司) (Note ii)	PRC/Mainland China 16 April 2020	RMB5,000,000	–	91.72	Construction
Tianjin Hongtu Supply Chain Management Co., Ltd. (天津宏途供應鏈管理有限公司 (Note ii)	PRC/Mainland China 19 November 2020	RMB10,000,000/ RMB0	–	91.72	Construction
Tianjin Horizon Construction Development Engineering Technology Co., Ltd. (天津宏信建發工程技術有限公司) (Note ii)	PRC/Mainland China 23 November 2020	RMB10,000,000/ RMB0	–	91.72	Construction

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17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2020, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Hongtu Equipment Leasing Co., Ltd. (北京宏途設備租賃有限公司) (Note ii)	PRC/Mainland China 2 December 2020	RMB1,000,000/ RMB0	–	91.72	Construction
Horizon Commercial Factoring Co., Ltd. (遠宏商業保理(天津)有限公司) (Note ii)	PRC/Mainland China 8 December 2019	RMB3,000,000,000/ RMB2,000,000,000	100	–	Factoring
Shanghai Chongzhi Information Technology Development Limited (上海崇至信息科技發展有限公司) (Note ii)	PRC/Mainland China 12 May 2016	RMB750,000,000	–	100	Information Technology
Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Ltd. (遠東宏信普惠融資租賃(天津)有限公司) (Note ii)	PRC/Mainland China 25 October 2019	RMB2,000,000,000/ RMB1,100,000,000	45	55	Finance leasing
Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) (Note i)	Cayman Islands 4 November 2014	RMB1,027,841,856	–	100	Medical Services

The above table lists the subsidiaries and consolidated structured entities of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Note i: Foreign invested enterprises

Note ii: Domestic companies

Note iii: A consolidated structured entity

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18. INVESTMENTS IN JOINT VENTURES

	2020	2019
	RMB'000	RMB'000
Share of net assets	2,402,552	2,307,087
Excess of consideration over share of net assets acquired	104,624	93,637
Provision for impairment	(180,416)	(170,000)
	2,326,760	2,230,724

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Kunming Broadhealthcare Investment Co., Ltd. (昆明博健醫療投資有限公司)	Registered capital of RMB14,333,328	PRC/Mainland China	33.3837	33.3837	Healthcare investment and management
Guangzhou Kangda Industrial Technology Co., Ltd. ("Kangda") (廣州康大工業科技產業有限公司)	Registered capital of HK$200,000,000	PRC/Mainland China	60*	60	Development and construction
Skycity (Shanghai) Business Co., Ltd. (天空之城（上海）實業有限公司)	Registered capital of RMB7,576,000	PRC/Mainland China	41.4	41.4	Electronic products
Kunming Boyue Maternal and Infant Care Co., Ltd. (昆明博悦母嬰護理有限責任公司)	Registered capital of RMB5,555,600	PRC/Mainland China	28.36	28.36	Medical services
Grand Flight Holdings Co., Ltd. (遠翼控股有限公司)	Authorised capital of US$50,000	British Virgin Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment Management Co., Ltd. (遠翼宏揚投資管理有限公司)	Authorised capital of US$50,000	Cayman Islands	70*	70	Investment holding

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18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the Group's joint ventures are as follows: (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	US$73,329,460.54	Cayman Islands	55*	55	Investment holding
Teamway Shipping Limited (匯聯船務有限公司)	HK$10,000	Hong Kong	50	50	Shipping services
Gold Chance Shipping Limited (金運船務有限公司)	HK$10,000	Hong Kong	50	50	Shipping services
Fengyang Qianmen Hospital Co., Ltd. (Formerly known as Fengyang Gulou Hospital Co., Ltd.) (鳳陽縣前門醫院有限公司) (原名：鳳陽縣鼓樓醫院有限公司)	Registered capital of RMB100,000,000	PRC/Mainland China	35	35	Medical services
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. (蘇州高新康復醫院有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	61*	61	Medical services
Grand Flight Investment Management Co., Ltd. (遠翼投資管理有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	90*	90	Investment holding
Tianjin Yuanyi Kaiyuan Asset Management Centre ("Yuanyi Kaiyuan") (Limited Partnership) (天津遠翼開元資產管理中心（有限合夥）)	Registered capital of RMB1,505,420,000	PRC/Mainland China	39.856	39.856	Investment holding

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18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the Group's joint ventures are as follows: (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. (廣州藝美天成裝飾工程有限公司)	Registered capital of RMB5,000,000	PRC/Mainland China	60*	60	Decoration engineering
Wuhan Matang Hospital of Traditional Chinese Medicine Co., Ltd. (武漢麻塘中醫醫院有限公司)	Registered capital of RMB16,040,000	PRC/Mainland China	49	49	Medical services
Shanghai Xiangyun Enterprise Management Partnership (Limited Partnership) (上海襄鋆企業管理合夥企業（有限合夥))	Registered capital of RMB350,010,000	PRC/Mainland China	51.9985*	51.9985	Management consulting
Shanghai Jinghong Yuanyu Apartment Management Co., Ltd. (上海景閎遠寓公寓管理有限公司)	Registered capital of RMB40,000,000	PRC/Mainland China	51*	51	Property management
Wuhan Hongye Construction Development Co., Ltd. (武漢泓冶建設發展有限公司)	Registered capital of RMB328,000,000	PRC/Mainland China	47	47	Drainage works
Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司)	Registered capital of RMB146,280,748	PRC/Mainland China	48	48	Infrastructure construction
Guixi Hongye Infrastructure Investment Co., Ltd. (貴溪市宏鄴基礎設施投資有限公司)	Registered capital of RMB151,294,129	PRC/Mainland China	48	48	Infrastructure construction

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31 December 2020

18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the Group's joint ventures are as follows: (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Xi'an Chuxin Investment Construction Co., Ltd. (西安楚信投資建設有限公司)	Registered capital of RMB100,000,000	PRC/Mainland China	46	46	Municipal engineering
Sichuan Hongcheng City Construction Investment Co., Ltd. (四川宏鑄城市建設投資有限公司)	Registered capital of RMB10,000,000	PRC/Mainland China	60*	60	Construction investment
Shanghai Shengjiang Investment Management Co., Ltd. (上海盛疆投資管理有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	51*	51	Investment management
Qingdao Co-e-Wins Venture Capital Limited Partnership (青島同曆並贏創業投資合夥企業(有限合夥))	Registered capital of RMB100,000,000	PRC/Mainland China	50	50	Investment management

* The decisions about relevant activities that most significantly affect the returns of these investees would be subject to the consent of others (e.g. other shareholders or directors), and hence, the ownership interests and powers held by the Group in those investees do not currently grant the Group the unilateral ability to direct the relevant activities in these investees.

The Group's loans and accounts receivables balances due from the joint ventures are disclosed in Note 23j to the financial statements. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

Kangda and Yuanyi Kaiyuan, which are considered material joint ventures of the Group, are mainly engaged in the development, construction and investment holding business in Mainland China. The aforementioned companies are accounted for using the equity method.

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18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Kangda adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements:

	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	436,351	56,685
Other current assets	2,918,115	2,556,516
Current assets	3,354,466	2,613,201
Non-current assets	30,554	22,733
Financial liabilities, excluding other payables and accruals	–	(43,000)
Other payables and accruals	(1,088,905)	(618,732)
Current liabilities	(1,088,905)	(661,732)
Non-current liabilities	(889,000)	(520,000)
Net assets	1,407,115	1,454,202
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	60%	60%
Group's share of net assets of the joint venture, Excluding the excess of consideration over share of net assets acquired	844,269	872,521
Cumulative impairment	(170,000)	(170,000)
Carrying amount of the investment	674,269	702,521

	2020	2019
	RMB'000	RMB'000
Revenue	173,098	127,782
Cost of sales	(183,916)	(199,599)
Administrative expenses	(15,725)	(12,277)
Other expenses	(18,675)	(10,172)
Other income	31	–
Loss and total comprehensive income for the year	(45,187)	(94,266)

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18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Yuanyi Kaiyuan adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements:

	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	50,422	127,825
Other current assets	1,706,416	1,929,228
Current assets	1,756,838	2,057,053
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Net assets	1,756,838	2,057,053
Net assets attributable to limited partners	1,662,309	2,057,053
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	39.856%	39.856%
Group's share of net assets of the joint venture, excluding the excess of consideration over share of net assets acquired	662,530	819,859
Capital to be injected to the joint venture	–	(53,061)
Carrying amount of the investment	662,530	766,798

	2020	2019
	RMB'000	RMB'000
Other expenses	(30,893)	(34,131)
Other income	15,879	35,300
(Loss)/profit and total comprehensive income for the year	(15,014)	1,169
Dividend Received	16,307	–

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18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020	2019
	RMB'000	RMB'000
Share of the joint ventures' gain/(loss) for the year	36,398	(95,745)
Aggregate carrying amount of the Group's investments in the joint ventures	989,961	761,405

19. INVESTMENTS IN ASSOCIATES

	2020	2019
	RMB'000	RMB'000
Share of net assets	4,299,740	4,305,232
Excess of consideration over share of net assets acquired	664,719	682,710
	4,964,459	4,987,942

Particulars of the material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	30	30	Development and construction
Hangzhou Guoya Stomatological Hospital Co., Ltd. (杭州國雅口腔醫院有限公司)	Registered capital of RMB32,574,700	PRC/Mainland China	34.98	34.98	Medical services

As at 31 December 2020, the Group also invested in six companies which are mainly engaged in the investment holding business in Mainland China, with the registered capital of RMB2,600,000,000, RMB3,000,000,000, RMB7,097,107,212, RMB4,508,514,000, RMB1,000,000,000 and RMB3,000,000,000, respectively. The percentage of ownership interest and profit sharing of the Group in these companies are 27.20%, 19.50%, 8.5011%, 13.3082%, 10.00% and 17.00%, respectively. The aforementioned companies are accounted for using the equity method.

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 5 largest associates (in terms of carrying amount as at 31 December 2020) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2020				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	7,010,029	4,540,274	47,203,179	5,992,675	1,087,324
Non-current assets	28,528,195	2,216,878	15,512,817	2,738,464	4,308,722
Current liabilities	(1,888,577)	(1,509,155)	(18,414,667)	(2,169,947)	(443,242)
Non-current liabilities	(23,790,222)	(1,184,386)	(30,249,957)	(2,968,172)	(1,712,925)
Net assets	9,859,425	4,063,611	14,051,372	3,593,020	3,239,879
Net assets attributable to the shareholders of the parent	4,789,396	4,063,611	11,767,173	3,434,100	3,239,879
Reconciliation to the Group's interest in the associates:					
Proportion of the Group's ownership	13.3082%	19.500%	8.5011%	27.200%	17.000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	637,382	792,404	1,000,339	934,075	550,779
Excess of consideration over share of net assets	282,092	23,717	134,134	132,022	–
Carrying amount of the Investment	919,474	816,121	1,134,473	1,066,097	550,779
Revenue	788,037	602,679	5,342,583	484,997	330,095
Profit and total comprehensive income for the period after the Group's investment in the associates	1,101,952	360,132	1,085,137	172,919	224,685
Profit and total comprehensive income attributable to the parent after the Group's investment in the associates	832,809	360,132	962,770	166,112	224,685
Dividend received	30,004	28,275	33,291	47,722	–

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 5 largest associates (in terms of carrying amount as at 31 December 2019) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2019				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	6,901,855	3,747,764	40,722,468	5,813,864	2,537,244
Non-current assets	14,957,778	2,937,100	10,343,581	1,605,599	490,491
Current liabilities	(2,318,934)	(1,226,052)	(19,861,709)	(260,364)	(12,540)
Non-current liabilities	(12,052,648)	(1,610,332)	(19,733,088)	(3,561,677)	–
Net assets	7,488,051	3,848,480	11,471,252	3,597,422	3,015,195
Net assets attributable to the shareholders of the parent	4,182,044	3,848,480	9,186,546	3,443,439	3,015,195
Reconciliation to the Group's interest in the associates:					
Proportion of the Group's ownership	13.3082%	19.5%	10.0254%	27.200%	17.000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	556,555	750,454	920,988	936,615	512,583
Excess of consideration over share of net assets	282,092	23,717	158,185	132,022	–
Carrying amount of the Investment	838,647	774,171	1,079,173	1,068,637	512,583
Revenue	748,723	544,987	5,438,795	426,983	17,793
Profit and total comprehensive income for the period after the Group's investment in the associates	631,593	319,594	829,747	173,798	15,195
Profit and total comprehensive income attributable to the parent after the Group's investment in the associates	487,269	319,594	1,088,168	168,052	15,195
Dividend received	–	13,418	21,314	–	–

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020	2019
	RMB'000	RMB'000
Share of the associates' profit for the year	139,428	59,918
Aggregate carrying amount of the Group's investments in the associates	477,515	714,731

The above balances include a total of RMB63,335,000 (31 December 2019: RMB529,379,000) investments held by the Group as an investor in sub-ordinated tranches of several collective fund trusts, whose total funds raised amount to RMB500,000,000 (31 December 2019: RMB2,700,250,000), the Group had significant influence over these trusts. These trusts conduct entrusted finance lease and entrusted loan businesses. The maximum exposure of the Group to losses from those investments approximate their carrying amounts.

The Group's loan and account receivable balances due from the associates are disclosed in Note 23j to the financial statements.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	RMB'000
Unlisted equity investments, at fair value	934,037	660,905
Listed equity investments, at fair value	233,100	–
Unlisted debt investments, at fair value	8,175,428	3,781,783
	9,342,565	4,442,688
Analysed into:		
Current portion	3,165,851	312,597
Non-current portion	6,176,714	4,130,091

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The above debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The above debt investments at 31 December 2020 included a carrying amount of RMB6,011,332,000 (31 December 2019: RMB3,669,186,000), and they were wealth management products and interests in some asset management products, issued and managed by third party financial institutions. The Group does not have the current ability to direct the activities of those products that significantly affect their returns. The Group's maximum exposure to those debt investments approximates to their carrying amounts.

21. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	RMB'000
Measured at fair value:		
Notes receivable	108,176	–

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps	269,809	(1,756,842)	1,528,354	(142,678)
Forward currency contracts	–	(72,485)	24,513	(24,482)
Interest rate swaps	19,158	(25,838)	12,969	(17,354)
	288,967	(1,855,165)	1,565,836	(184,514)
Portion classified as non-current:				
Cross-currency interest rate swaps	50,193	(1,528,821)	895,090	(138,891)
Forward currency contracts	–	(24,409)	–	–
Interest rate swaps	19,009	(4,494)	11,620	(16,641)
	69,202	(1,557,724)	906,710	(155,532)
Current portion	219,765	(297,441)	659,126	(28,982)
	288,967	(1,855,165)	1,565,836	(184,514)

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9

At 31 December 2020, the Group designated 75 (2019: 62) cross-currency interest rate swap contracts, 6 (2019: 14) forward currency contracts and 22 (2019: 4) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 31 December 2020, the Group had 15 (2019: 10) cross-currency interest rate swaps in place with notional amounts of HK$6,980,000,000 (2019: HK$3,354,000,000) whereby the Group receives a floating rate of interest on the HK$ notional amount at HKD-HIBOR-HKAB and pays a fixed rate of interest on the RMB notional amount at 3.15% to 4.38% (2019: 3.91% to 4.38%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 15 floating rate long-term borrowings denominated in HK$ with the total principal of HK$6,980,000,000 (2019: HK$3,354,000,000).

At 31 December 2020, the Group had 54 (2019: 50) cross-currency interest rate swaps in place with notional amounts of US$4,040,572,000 (2019: US$4,122,708,000) whereby the Group receives a floating rate of interest on the US$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the RMB notional amount at 2.70% to 4.38% (2019: 3.35% to 5.70%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 52 floating rate long-term borrowings and 2 floating rate short-term borrowings denominated in US$ with the total principal of US$4,040,572,000 (2019: US$4,122,708,000).

At 31 December 2020, the Group had 5 (2019: 2) cross-currency interest rate swaps in place with notional amounts of US$400,000,000 (2019: US$200,000,000) whereby the Group receives a fixed rate of interest on the US$ notional amount at 3.38% to 4.38% (2019: 4.38%) per annum and pays a fixed rate of interest on the RMB notional amount at 4.50% to 5.88% (2019: 5.84% and 5.88%) per annum. The swaps are being used to hedge the foreign currency exposure of 5 fixed rate long-term borrowings denominated in US$ with the total principal of US$400,000,000 (2019: US$200,000,000).

At 31 December 2020, the Group had 1 (2019: Nil) cross-currency interest rate swap in place with a notional amount of JPY6,500,000,000 (2019: Nil) whereby the Group receives floating rate interest on the JPY notional amount at JPY-LIBOR-BBA and pays a fixed rate interest on the RMB notional amount at 3.83% (2019: Nil) per annum. The swap is being used to hedge the foreign currency and interest rate exposure of 1 floating rate long-term borrowing denominated in JPY with the total principal of JPY6,500,000,000 (2019: Nil).

At 31 December 2020, the Group had 6 (2019:14) forward currency contracts with a total notional amount of US$237,835,000 (2019: US$517,906,000) as hedges of future cash flows arising from foreign currency borrowings with the total principal of US$237,835,000 (2019: US$517,906,000) which will be settled in US$.

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31 December 2020

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

At 31 December 2020, the Group had 4 (2019: 4) interest rate swaps in place with notional amounts of US$300,000,000 (2019: US$215,000,000) whereby the Group receives a floating rate of interest on the US$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the US$ notional amount at 0.45% to 2.36% (2019: 2.34% to 2.47%) per annum. The swaps are being used to hedge interest rate exposure of 4 floating rate long-term borrowings denominated in US$ with the total principal of US$300,000,000 (2019: US$215,000,000).

At 31 December 2020, the Group had 18 (2019: Nil) interest rate swaps in place with a total notional amount of RMB10,471,232,000 (2019: Nil) whereby the Group receives interest at variable rates equal to the Loan Prime Rate on the notional amount and pays a fixed rate of interest on the RMB notional amount at 3.70% to 4.11% (2019: Nil) per annum. The swaps are being used to hedge interest rate exposure of 18 floating rate long-term borrowings denominated in RMB with the total principal of RMB10,471,232,000 (2019: Nil).

There is an economic relationship between the hedged items and the hedging instruments as the terms of the cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps match the terms of the borrowing contracts (i.e., the notional amount, expected payment date and interest rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items

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31 December 2020

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps:

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2020							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	5,927,433	2,750,820	2,327,074	–	9,987,735	9,024,455	30,017,517
Average forward exchange rate (US$/RMB)	6.3604	6.7213	6.7734	–	7.0525	6.7987	
Notional amount (in RMB'000)	1,569,905	–	–	–	1,485,029	2,996,371	6,051,305
Average forward exchange rate (HK$/RMB)	0.8061	–	–	–	0.9073	0.8832	
Notional amount (in RMB'000)	–	–	–	–	428,350	–	428,350
Average forward exchange rate (JPY/RMB)	–	–	–	–	0.0659	–	
Forward currency contracts							
Notional amount (in RMB'000)	–	353,430	495,117	510,154	–	298,384	1,657,085
Average forward exchange rate (US$/RMB)	–	6.9082	7.0042	6.7570	–	7.4410	
Interest rate swaps							
Notional amount (in RMB'000)	–	–	1,304,980	–	2,405,541	8,718,181	12,428,702
Average forward exchange rate	–	–	N/A	–	N/A	N/A	
Hedge rate	1	1	1	1	1	1	

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2019							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	–	931,216	3,863,655	5,542,038	10,503,827	7,758,223	28,598,959
Average forward exchange rate (US$/RMB)	–	6.2920	6.5775	6.6133	6.5544	6.9758	
Notional amount (in RMB'000)	–	–	–	128,809	1,569,905	1,128,527	2,827,241
Average forward exchange rate (HK$/RMB)	–	–	–	0.8257	0.8061	0.9035	
Forward currency contracts							
Notional amount (in RMB'000)	1,855,836	1,337,156	424,888	–	–	–	3,617,880
Average forward exchange rate (US$/RMB)	6.8540	7.0338	7.1361	–	–	–	
Interest rate swaps							
Notional amount (in RMB'000)	–	–	104,643	1,395,240	–	–	1,499,883
Average forward exchange rate	–	–	N/A	N/A	–	–	
Hedge rate	1	1	1	1	1	1	

NOTES TO FINANCIAL STATEMENTS

31 December 2020

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Forward currency contracts	–	–	Derivative financial instruments (assets)	(24,513)
Forward currency contracts	1,657,085	(72,485)	Derivative financial instruments (liabilities)	(48,003)
Cross-currency interest rate swaps	8,355,358	269,809	Derivative financial instruments (assets)	(1,258,545)
Cross-currency interest rate swaps	28,141,814	(1,756,842)	Derivative financial instruments (liabilities)	(1,614,164)
Interest rate swap	8,837,552	19,009	Derivative financial instruments (assets)	19,009
Interest rate swap	3,591,150	(25,838)	Derivative financial instruments (liabilities)	(8,661)

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2019				
Forward currency contracts	382,295	24,513	Derivative financial instruments (assets)	(18,786)
Forward currency contracts	3,235,584	(24,482)	Derivative financial instruments (liabilities)	180,055
Cross-currency interest rate swaps	22,992,909	1,528,354	Derivative financial instruments (assets)	543,475
Cross-currency interest rate swaps	8,433,292	(142,678)	Derivative financial instruments (liabilities)	(142,678)
Interest rate swap	1,499,883	(17,177)	Derivative financial instruments (liabilities)	(17,177)

NOTES TO FINANCIAL STATEMENTS

31 December 2020

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2020		
Foreign currency bank loans amounting to RMB equivalent 38,769,290,000	**(2,476,186)**	**(254,289)**

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2019		
Foreign currency bank loans amounting to RMB equivalent 38,273,419,000	469,783	(311,956)

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31 December 2020

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
Year ended 31 December 2020	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	(68,028)	18,853	(49,175)	–	N/A	72,302	(19,348)	52,954	Cost of sales/ other expenses
Cross-currency interest rate swaps	(2,400,108)	422,260	(1,977,848)	–	N/A	2,480,959	(442,501)	2,038,458	Cost of sales/ other expenses
Interest rate swap	(8,050)	1,328	(6,722)	–	N/A	–	–	–	Cost of sales/ other expenses
Total	(2,476,186)	442,441	(2,033,745)	–	N/A	2,553,261	(461,849)	2,091,412	

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
Year ended 31 December 2019	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	18,361	(5,289)	13,072	–	N/A	(36,213)	7,110	(29,103)	Cost of sales/ other expenses
Cross-currency interest rate swaps	468,599	(92,860)	375,739	–	N/A	(328,464)	63,527	(264,937)	Cost of sales/ other expenses
Interest rate swap	(17,177)	2,834	(14,343)	–	N/A	128	(21)	107	Cost of sales/ other expenses
Total	469,783	(95,315)	374,468	–	N/A	(364,549)	70,616	(293,933)	

NOTES TO FINANCIAL STATEMENTS

31 December 2020

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk

At 31 December 2020, the Group had 1 (2019: 12) interest rate swap agreement in place with a total notional amount of RMB300,000,000 (2019: RMB9,900,000,000) whereby it receives interest at a fixed rate of 4.80% (2019: 4.36% to 4.80%) per annum and pays interest at variable rates equal to the benchmark interest rate of Renminbi loans of the People's Bank of China on the notional amount. The swaps are used to hedge the exposure to changes in the fair value of the fixed rate long-term bonds. The critical terms of the interest rate swaps substantially match those of the borrowings. These hedges were assessed to be highly effective.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the long-term bonds (i.e., the notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to that of the hedged risk component. In assessing the hedge effectiveness, the Group notes that the critical terms of the hedged items and the hedging instruments match each other, and therefore, the changes in the fair value of the hedging instrument exactly offset the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Differences in the timing of interest cash flows of the hedged item and the hedging instrument

- The counterparties' credit risks may impact the fair value movements of the hedging instruments

NOTES TO FINANCIAL STATEMENTS

31 December 2020

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk (continued)

The impact of the hedging instrument on the statement of financial position is as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Interest rate swap	300,000	149	Derivative financial instruments (assets)	(12,820)
Interest rate swap	–	–	Derivative financial instruments (liabilities)	177

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2019				
Interest rate swap	8,900,000	12,969	Derivative financial instruments (assets)	(1,632)
Interest rate swap	1,000,000	(177)	Derivative financial instruments (liabilities)	3,140

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31 December 2020

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk (continued)

The impact of the hedged item on the statement of financial position is as follows:

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Bonds amounting to RMB equivalent 300,000,000	**300,149**	**149**	**Interest-bearing bank and other borrowings**	**(12,643)**

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2019				
Bonds amounting to RMB equivalent 9,900,000,000	9,912,792	12,792	Interest-bearing bank and other borrowings	1,508

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	122,920,949	98,741,019
Loans and accounts receivables due after 1 year	106,476,358	102,379,882
	229,397,307	201,120,901

23a. Loans and accounts receivables by nature

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Lease receivables (Note 23b)*	229,309,368	207,655,800
Less: Unearned finance income	(20,684,176)	(20,786,899)
Net lease receivables (Note 23b)	208,625,192	186,868,901
Interest receivables*	1,570,797	1,561,187
Factoring receivable (Note 23g)	8,237,411	4,156,059
Entrusted loans (Note 23h)*	2,148,646	4,317,303
Long-term receivables*	11,357,450	5,999,560
Secured loans	268,984	246,065
Subtotal of Interesting-earning assets (Note 23c)**	232,208,480	203,149,075
Less:		
Provision for lease receivables	(6,081,514)	(5,257,671)
Provision for factoring receivables	(204,052)	(92,895)
Provision for entrusted loans	(74,811)	(100,753)
Provision for long-term receivables	(169,144)	(79,492)
Provision for secured loans	(2,066)	(4,483)
Provision for interesting-earning assets (Note 23d)**	(6,531,587)	(5,535,294)
Notes receivable	439,661	230,438
Accounts receivable (Note 23e)*	4,180,032	3,830,788
Provision for accounts receivable (Note 23f)	(899,279)	(554,106)
Total of loans and accounts receivables	229,397,307	201,120,901

* These balances included balances with related parties which are disclosed in Note 23j.

** These balances are included in the interest-earning assets disclosed in Note 23c and Note 23d.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b (1). An ageing analysis of lease receivables, determined based on the ageing of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Lease receivables:		
Within 1 year	122,031,640	81,010,823
1 to 2 years	39,530,206	65,639,866
2 to 3 years	34,740,573	47,787,535
3 to 5 years	33,006,949	13,217,576
Total	229,309,368	207,655,800

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Net lease receivables:		
Within 1 year	110,790,626	72,921,942
1 to 2 years	36,242,634	58,141,813
2 to 3 years	31,489,904	43,374,076
3 to 5 years	30,102,028	12,431,070
Total	208,625,192	186,868,901

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b (2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Lease receivables:		
Due within 1 year	122,165,800	101,704,090
Due in 1 to 2 years	68,625,874	63,404,839
Due in 2 to 3 years	27,256,023	32,945,840
Due in 3 to 5 years	10,490,430	9,231,836
Due after 5 years	771,241	369,195
Total	229,309,368	207,655,800

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	109,337,798	88,949,526
Due in 1 to 2 years	63,218,357	58,017,342
Due in 2 to 3 years	25,529,827	30,863,293
Due in 3 to 5 years	9,824,101	8,696,248
Due after 5 years	715,109	342,492
Total	208,625,192	186,868,901

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

As at 31 December 2020, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB17,856,783,000 (31 December 2019: RMB11,535,047,000) (see Note 31(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23c. Analysis of interest-earning assets

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020				
Interest-earning assets	**210,020,909**	**19,597,683**	**2,589,888**	**232,208,480**
Allowance for impairment losses	**(3,753,371)**	**(1,707,979)**	**(1,070,237)**	**(6,531,587)**
Interest-earning assets, net	**206,267,538**	**17,889,704**	**1,519,651**	**225,676,893**

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019				
Interest-earning assets	182,252,157	18,647,831	2,249,087	203,149,075
Allowance for impairment losses	(3,438,649)	(1,627,288)	(469,357)	(5,535,294)
Interest-earning assets, net	178,813,508	17,020,543	1,779,730	197,613,781

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. Movement in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses ("ECLs") prescribed by HKFRS 9 from 1 January 2018, which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-earning assets.

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECLs and forward-looking information.

In response to the covid-19 pandemic, the Group has rolled out certain relief measures on a commercial basis to customers impacted by the coronavirus to support their immediate cash flows and liquidity by offering principal moratorium or tenor extension. Because of the relief measure, the Group may not have the same level of credit risk information about repayment records as compared to what they had in the past. Therefore, the Group extended its effort done to obtain additional information for credit assessment, including those in the covid-19 vulnerable sectors. The Group has paid special attention to the application of macroeconomic data and forward-looking information to ensure that the effect of covid-19 has been sufficiently reflected.

	Year ended 31 December 2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III** (Lifetime ECL-impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	3,438,649	1,627,288	469,357	5,535,294
Impairment losses for the year	319,962*	164,871	1,683,836	2,168,669
Disposal	(59,813)	–	(94,875)	(154,688)
Conversion to Stage I	223,766	(223,766)	–	–
Conversion to Stage II	(167,849)	250,719	(82,870)	–
Conversion to Stage III	–	(111,133)	111,133	–
Write-off	–	–	(1,095,262)	(1,095,262)
Recoveries of interest-earning assets previously written off	–	–	78,918	78,918
Exchange differences	(1,344)	–	–	(1,344)
At end of the year	3,753,371	1,707,979	1,070,237	6,531,587

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. Movement in provision for interest-earning assets (continued)

	Year ended 31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III** (Lifetime ECL-impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	3,145,672	1,188,069	759,991	5,093,732
Impairment losses for the year	928,499*	574,832	409,422	1,912,753
Disposal	(711,143)	–	–	(711,143)
Conversion to Stage I	291,617	(291,617)	–	–
Conversion to Stage II	(216,870)	220,110	(3,240)	–
Conversion to Stage III	–	(64,106)	64,106	–
Write-off	–	–	(867,150)	(867,150)
Recoveries of interest-earning assets previously written off	–	–	106,228	106,228
Exchange differences	874	–	–	874
At end of the year	3,438,649	1,627,288	469,357	5,535,294

* This includes a loss allowance of RMB2,565,171,000 (2019: RMB1,470,030,000) provided for newly originated interest-earning assets, and RMB2,245,209,000 (2019: RMB541,531,000) reversed as a result of repayment of existing interest-earning assets.

** The majority of the interest-earning assets are finance lease receivables, under which the lessor owns the related leased asset, so the finance leases are similar to secured lendings. Among these interest-earning assets, 93% (2019: 94%) (in terms of carrying amount) of the credit-impaired assets falling in stage 3 in the table above are finance lease receivables, and hence, the related leased assets are owned by the Group. Such leased assets are similar to security and constitute the main source of collection of impaired assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23e. An aging analysis of accounts receivable as at the end of the reporting period is as follows:

Accounts receivable are non-interest-earning and are generally on 60-day terms, while the credit terms for major customers can be extended to 180 days.

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Within 1 year	3,104,035	3,211,588
More than 1 year	1,075,997	619,200
Total	4,180,032	3,830,788

23f. Movement in provision for accounts receivable

	31 December 2020	31 December 2019
	RMB'000	RMB'000
At beginning of year	554,106	407,873
Charge for the year	374,597	105,593
Acquisition of a subsidiary	14,738	48,030
Write-off	(44,162)	(7,390)
At end of year	899,279	554,106

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23f. Movement in provision for accounts receivable (continued)

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

As at 31 December 2020

	Ageing				
	Within 1 year	**1-2 years**	**2-3 years**	**3-5 years**	**Total**
Gross carrying amount (RMB'000)	**3,104,035**	**624,092**	**231,876**	**220,029**	**4,180,032**
Expected credit loss (RMB'000)	**481,477**	**183,948**	**107,860**	**125,994**	**899,279**
Average expected credit loss rate	**15.51%**	**29.47%**	**46.52%**	**57.26%**	

As at 31 December 2019

	Ageing				
	Within 1 year	1-2 years	2-3 years	3-5 years	Total
Gross carrying amount (RMB'000)	3,211,588	345,339	147,650	126,211	3,830,788
Expected credit loss (RMB'000)	199,950	118,085	109,860	126,211	554,106
Average expected credit loss rate	6.23%	34.19%	74.41%	100.00%	

23g. An aging analysis of factoring receivables as at the end of the reporting period is as follows:

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Within 1 year	**7,006,976**	3,464,599
More than 1 year	**1,230,435**	691,460
Total	**8,237,411**	4,156,059

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23h (1). An aging analysis of entrusted loans, determined based on the ageing of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period, is as follows:

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Entrusted loans:		
Within 1 year	476,534	257,810
1 to 2 years	99,444	141,643
2 to 3 years	65,800	1,392,674
3 to 5 years	1,506,868	2,525,176
Total	2,148,646	4,317,303

23h (2). The table below illustrates the amounts of entrusted loans the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Entrusted loans:		
Due within 1 year	1,170,723	2,807,883
Due in 1 to 2 years	928,860	1,213,791
Due in 2 to 3 years	24,414	295,629
Due in 3 to 5 years	24,649	–
Total	2,148,646	4,317,303

23i. Long term receivables

As at 31 December 2020, the carrying value of long term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB4,873,854,000 (31 December 2019: RMB3,788,115,000) (Note 31(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23j. Balances with related parties

		31 December 2020	31 December 2019
		RMB'000	RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Entrusted loan	(i)	60,000	60,000
Long-term receivables	(ii)	535,000	135,000
Interest receivables		669	17,514
– Kunming Broadhealthcare Investment Co., Ltd.			
Entrusted loan	(i)	50,000	50,000
– Fengyang Qianmen Hospital Co., Ltd.			
Accounts receivables		4,372	14,295
– Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.			
Entrusted loan	(i)	60,079	50,553
– Shanghai Shengjiang Investment Management Co., Ltd.			
Lease receivables	(iii)	9,408	–
Associates:			
– Tianjin FIS Asset Management Co., Ltd.			
Long-term receivables	(ii)	915,000	814,600
Interest receivables		6,278	622
Provision		(33,365)	(24,449)
		1,607,441	1,118,135

(i) Balances of entrusted loans interest-earning at annual interest rates ranging from 5.81% to 8% (31 December 2019: from 6% to 13%).

(ii) Balances of long-term receivables interest-earning at annual interest rates ranging from 4.75% to 5.81% (31 December 2019: from 4.85% to 9%).

(iii) Balances of lease receivables interest-earning at an annual interest rate of 12% (31 December 2019: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		2020	2019
	Note	RMB'000	RMB'000
Current assets:			
Prepayments		**386,895**	699,126
Leased assets*		**12,713**	24,671
Rental and project deposits		**158,000**	203,850
Other receivables		**341,769**	478,230
Input VAT		**974,291**	525,307
Amounts deductible against output VAT		**171,835**	177,135
Subordinated tranches of asset-backed securities/notes (Note 50)		**434,914**	280,991
Continuing involvement in transferred assets (Note 50)		**434,914**	280,991
Due from related parties	24a	**37,781**	54,196
Other current asset		**9,783**	5,998
Impairment allowance		**(58,897)**	(14,632)
		2,903,998	2,715,863
Non-current assets:			
Rental deposit due after 1 year		**9,863**	36,826
Subordinated tranches of asset-backed securities/notes (Note 50)		**4,064,204**	5,569,255
Continuing involvement in transferred assets (Note 50)		**4,064,204**	5,569,255
Long-term other receivables		**370,705**	312,358
Others		**238,839**	188,910
Impairment allowance		**(167,980)**	(96,000)
		8,579,835	11,580,604
		11,483,833	14,296,467

* The leased assets arise from the situations where the Group had already made payments to vendors or suppliers of machinery and equipment, but the terms of the lease contracts of the said machinery and equipment have not commenced. The Group records these paid amounts under leased assets among its current assets as such assets had already been earmarked for leases to customers. Once the terms of a lease contract commence, the Group ceases to recognise the amount relating to the leased assets and recognise the lease receivables due under the lease contract.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

24a. BALANCES WITH RELATED PARTIES

		2020	2019
		RMB'000	RMB'000
Subsidiaries of the ultimate holding company of a shareholder with significant influence:			
Beijing Chemsunny Property Co., Ltd.	(i)	2,493	2,493
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	(i)	175	175
Joint ventures:			
Gold Chance Shipping Limited	(i)	16,707	24,806
Teamway Shipping Limited	(i)	17,438	25,119
Fengyang Qianmen Hospital Co., Ltd.	(i)	474	422
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	(i)	102	1,181
Kunming Broadhealthcare Investment Co., Ltd.	(i)	392	–
		37,781	54,196

(i) Balances with related parties were unsecured and non-interest-earning.

25. CONTRACT ASSETS

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Contract assets arising from construction services	110,132	22,646

Contract assets are initially recognised for revenue earned from the provision of related construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

25. CONTRACT ASSETS (continued)

The expected timing of recovery or settlement for contract assets as at 31 December 2020 is as follows:

	RMB'000
Within one year	**110,132**

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Fee income received in advance	Government special subsidy	Share-based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2020	262,280	790,325	82,900	1,719,551	1,267,843	94,445	73,539	11,808	4,302,691
(Charged)/credited to the statement of profit or loss during the year	(24,274)	164,719	59,112	576,403	93,224	78,012	–	1,530	948,726
Acquisition of subsidiaries	–	–	–	3,769	5,073	–	–	2,037	10,879
Charged to reserve	–	–	–	–	–	–	(19,408)	–	(19,408)
Exchange differences	–	–	–	(499)	–	240	–	–	(259)
Gross deferred tax assets at 31 December 2020	238,006	955,044	142,012	2,299,224	1,366,140	172,697	54,131	15,375	5,242,629

NOTES TO FINANCIAL STATEMENTS

31 December 2020

26. DEFERRED TAX (continued)

Deferred tax assets (continued)

	Fee income received in advance	Government special subsidy	Share-based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2019	381,518	636,245	143,566	1,652,968	1,074,297	144,834	98,238	10,159	4,141,825
(Charged)/credited to the statement of profit or loss during the year	(119,238)	154,080	(60,666)	65,590	193,546	(50,390)	–	986	183,908
Acquisition of subsidiaries	–	–	–	877	–	–	–	663	1,540
(Charged)/credited to reserve	–	–	–	–	–	–	(24,699)	–	(24,699)
Exchange differences	–	–	–	116	–	1	–	–	117
Gross deferred tax assets at 31 December 2019	262,280	790,325	82,900	1,719,551	1,267,843	94,445	73,539	11,808	4,302,691

NOTES TO FINANCIAL STATEMENTS

31 December 2020

26. DEFERRED TAX (continued)

Deferred tax liabilities

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2020	89,363	133,419	9,385	125,920	358,087
(Credited)/charged to the statement of profit or loss during the year	(807)	(50,373)	–	(17,061)	(68,241)
Arising from acquisition of subsidiaries	53,960	–	–	–	53,960
Gross deferred tax liabilities at 31 December 2020	142,516	83,046	9,385	108,859	343,806

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2019	59,416	76,190	9,385	114,579	259,570
(Credited)/charged to the statement of profit or loss during the year	(8,176)	57,229	–	11,341	60,394
Arising from acquisition of subsidiaries	38,123	–	–	–	38,123
Gross deferred tax liabilities at 31 December 2019	89,363	133,419	9,385	125,920	358,087

NOTES TO FINANCIAL STATEMENTS

31 December 2020

26. DEFERRED TAX (continued)

For the purpose of the presentation of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2020	31 December 2019
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	5,142,900	4,181,252
Net deferred tax liabilities recognised in the consolidated statement of financial position	244,077	236,648

As at 31 December 2020, the Group had tax losses arising in Hong Kong of RMB338,602,000 (31 December 2019: RMB363,410,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB433,318,000 (31 December 2019: RMB103,938,000) that will expire in one to five years for offsetting against future taxable profits. The Group has recognised deferred tax assets in respect of the tax losses mentioned above. Aside from this, as at 31 December 2020, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses of RMB2,245,235,000 (31 December 2019: RMB1,266,992,000) and RMB643,014,000 (31 December 2019: RMB555,064,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the Mainland China subsidiaries' profits generated from 2012 onwards will be retained by the Mainland China subsidiaries for the use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. As at 31 December 2020, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB1,151,682,000 (31 December 2019: RMB903,896,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

27. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2020	2019
	RMB'000	RMB'000
Cash and bank balances	15,352,104	9,930,952
Time deposits	–	25,280
	15,352,104	9,956,232
Less:		
Pledged deposits	1,371,054	822,709
Restricted bank deposits related to asset securitisations	2,090,749	4,955,344
Restricted bank deposits related to collective fund trusts	13,066	188,608
Cash and cash equivalents	11,877,235	3,989,571

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB14,549,773,000 (31 December 2019: RMB9,459,552,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at either fixed or floating rates based on daily bank deposit rates.

As at 31 December 2020, cash of RMB379,104,000 (31 December 2019: RMB523,609,000) was pledged for bank and other borrowings (Note 31(b)).

As at 31 December 2020, cash of RMB991,950,000 (31 December 2019: RMB284,181,000) was pledged for bank acceptances, letters of credit and others.

As at 31 December 2020, nil (31 December 2019: RMB14,919,000) was pledged for collective fund trusts.

As at 31 December 2020, cash of RMB259,245,000 (31 December 2019: RMB253,606,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

28. INVENTORIES

	2020	2019
	RMB'000	RMB'000
Finished goods	286,129	338,373
Work in process	15,901	43,445
Raw materials	95,351	22,020
	397,381	403,838

29. TRADE AND BILLS PAYABLES

		2020	2019
	Note	RMB'000	RMB'000
Current:			
Bills payable		6,133,902	2,523,404
Trade payables		1,738,557	1,489,063
Due to related parties	29a	7,951	460,961
		7,880,410	4,473,428

An ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	2020	2019
	RMB'000	RMB'000
Within 1 year	7,618,459	4,192,034
1 to 2 years	167,303	174,710
2 to 3 years	40,353	27,286
3 years and beyond	54,295	79,398
	7,880,410	4,473,428

NOTES TO FINANCIAL STATEMENTS

31 December 2020

29. TRADE AND BILLS PAYABLES (continued)

29a. BALANCES WITH RELATED PARTIES

	2020	2019
	RMB'000	RMB'000
Due to related parties:		
Subsidiary of the ultimate holding company of a shareholder with significant influence:		
Sinochem Finance Co., Ltd.	–	460,761
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	7,951	200
	7,951	460,961

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

30. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Current:			
Lease deposits, entrusted loan deposits and factoring deposits due within one year		**5,541,887**	4,088,270
Salary payables		**840,112**	1,812,095
Welfare payables		**179,436**	105,283
Advances from customers		**690,561**	889,752
Due to related parties	30a	**437,817**	88,665
Contract liabilities	30b	**534,306**	439,232
Other taxes payable		**839,028**	876,823
Interest payable		**2,108,478**	1,702,842
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations		**2,090,749**	4,955,344
Funds collected on behalf of collective fund trusts		**10,317**	21,453
Funds collected on behalf of collective fund trusts – due to related parties	30a	**2,749**	167,155
Provision for credit commitments		**30,436**	36,426
Purchase consideration to be paid for non-controlling interests		**155,595**	73,662
Other payables		**1,286,492**	1,892,439
Dividend payables		**40,759**	39,031
Continuing involvement in transferred assets		**434,914**	280,991
		15,223,636	17,469,463
Non-current:			
Lease deposits, entrusted loan deposits and factoring deposits due after one year		**15,601,129**	23,787,610
Shareholding purchase consideration to be paid		**–**	53,005
Purchase consideration to be paid for non-controlling interests		**286,300**	301,289
Contract liabilities	30b	**362,279**	230,196
Other payables		**53,144**	148,541
Quality guarantee deposit		**1,333**	1,333
		16,304,185	24,521,974
		31,527,821	41,991,437

NOTES TO FINANCIAL STATEMENTS

31 December 2020

30. OTHER PAYABLES AND ACCRUALS (continued)

30a. BALANCES WITH RELATED PARTIES

	2020	2019
	RMB'000	RMB'000
Due to related parties:		
Subsidiary of the ultimate holding company of a shareholder with significant influence:		
Sinochem Finance Co., Ltd.	–	4,676
Joint ventures:		
Fengyang Qianmen Hospital Co., Ltd.	268	588
Kunming Broadhealthcare Investment Co., Ltd.	1	1
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	8,509	13,104
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	2,033	2,003
Grand Flight Investment Management Co., Ltd.	26,782	35,915
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	–	32,378
Shanghai Shengjiang Investment Management Co., Ltd.	273	–
Guangzhou Kangda Industrial Technology Co., Ltd.	399,951	–
	437,817	83,989
Associates:		
CITIC – Far Eastern Leasing portfolio investment collective fund trust	67	61,925
XMITIC – Far Eastern Leasing portfolio investment collective fund trust	–	103,401
SCHTRUST- Far Eastern Leasing portfolio investment collective fund trust	2,682	1,829
	2,749	167,155
	440,566	255,820

Except for the amounts due to Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd., which bear interest at an interest rate of 4.35% per annum, and the amounts due to Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare Investment Co., Ltd., Grand Flight Investment Management Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. and Guangzhou Kangda Industrial Technology Co., Ltd., which bear interest at an interest rate of 1.485% per annum, amounts due to other related parties are unsecured and non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

30. OTHER PAYABLES AND ACCRUALS (continued)

30b. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2020	31 December 2019	1 January 2019
	RMB'000	RMB'000	RMB'000
Contract liabilities			
Short-term:			
– Sale of goods	23,662	–	10,343
– Service fee	510,644	439,232	414,930
Long-term:			
– Service fee	362,279	230,196	222,505
Total contract liabilities	896,585	669,428	647,778

Contract liabilities include short-term advances received to deliver goods and services. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in advances received from customers in relation to the provision of services at the end of the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	2.00~5.00	2021	147,005	3.30~5.44	2020	156,610
Current portion of long term bank loans – secured	2.71~6.41	2021	4,853,992	3.92~6.41	2020	5,414,006
Bank loans – unsecured	1.05~5.00	2021	19,481,295	2.88~5.10	2020	12,544,331
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	4.19	2021	10,000	–	–	–
Current portion of long term bank loans – unsecured	0.84~5.46	2021	26,454,673	2.43~6.50	2020	28,299,097
Other loans – secured	3.93~6.78	2021	1,293,759	–	–	–
Other loans – unsecured	6.71	2021	6,330,000	6.10~6.80	2020	2,626,800
Bonds – secured*	3.15~4.23	2021	5,677,022	–	–	–
Bonds – unsecured*	1.50~6.40	2021	39,683,705	2.30~5.90	2020	38,704,001
			103,931,451			87,744,845
Non-current						
Bank loans – secured	2.71~6.41	2022~2045	6,676,568	3.92~6.41	2021~2032	5,795,584
Bank loans – unsecured	0.84~7.70	2022~2031	41,146,284	2.43~5.70	2021~2026	33,351,425
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	4.19	2022~2023	193,270	–	–	–
Other loans – secured	3.93~5.16	2022~2025	2,313,483	6.78	2021	400,000
Other loans – unsecured	5.50~5.90	2022	1,201,000	5.90~6.71	2021~2022	6,731,000
Bonds – secured*	3.15~4.23	2022~2023	1,255,760	–	–	–
Bonds – unsecured*	3.10~5.19	2022~2025	45,574,265	3.69~6.40	2021~2023	28,373,412
			98,360,630			74,651,421
Convertible bonds-host debts (Note 32)	0.00~2.50	2025	2,924,074	–	–	–
			205,216,155			162,396,266

* Including the effect of fair value gains/losses on the hedged item attributable to the hedged risk in the fair value hedges as further detailed in Note 22 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2020	2019
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**50,936,965**	46,414,044
In the second year	**27,979,657**	23,318,321
In the third to fifth years, inclusive	**18,829,398**	14,827,507
Beyond five years	**1,013,797**	1,001,181
	98,759,817	85,561,053
Loans from subsidiaries of the ultimate holding company of a shareholder repayable:		
Within one year or on demand	**10,000**	–
In the second year	**10,000**	–
In the third to fifth years, inclusive	**183,270**	–
	203,270	–
Other borrowings repayable:		
Within one year or on demand	**52,984,486**	41,330,801
In the second year	**28,873,605**	26,576,996
In the third to fifth years, inclusive	**24,394,977**	8,927,416
	106,253,068	76,835,213
	205,216,155	162,396,266

(a) As at 31 December 2020, the Group's bank and other borrowings were secured by the pledge of or the transfer of certain of the Group's lease receivables and long-term receivables amounting to RMB16,502,850,000 (31 December 2019: RMB8,131,017,000) and RMB3,806,937,000 (31 December 2019: RMB2,706,346,000), respectively.

(b) As at 31 December 2020, the Group's bank borrowings amounting to RMB142,005,000 (31 December 2019: RMB127,610,000) were secured by the pledge of cash.

(c) As at 31 December 2020, the Group's bank and other borrowings, secured by the Group's leasehold land, and property, plant and equipment, amounted to RMB1,765,797,000 (31 December 2019: RMB801,227,000). The Group had not provided any guarantees for other entities (31 December 2019: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

32. CONVERTIBLE BONDS

On 8 July 2020, Universe Trek Limited, a wholly-owned subsidiary of the Company issued 2.5 per cent guaranteed convertible bonds ("the 2.5 percent Bonds") with a nominal value of USD$300,000,000. The 2.5 percent Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the year. The 2.5 percent Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK$8.33 per share at any time on or after 18 August 2020 and up to the close of business on the date falling ten days prior to 8 July 2025. The conversion price of the 2.5 percent Bonds was adjusted from HK$8.33 per share to HK$7.92 per Share with effect from 31 July 2020 as a result of the declaration of the final dividend for the year ended 31 December 2019. The 2.5 percent Bonds are redeemable at the option of the bondholders at 100.00 per cent of its principal amount on 8 July 2023. Any 2.5 percent Bonds convertible notes not converted will be redeemed on 8 July 2025 at 100.00 per cent of its principal amount. The 2.5 percent Bonds carry interest at a rate of 2.5 per cent per annum, which is payable semi-annually in arrears on 8 July and 8 January.

On 4 December 2020, Universe Trek Limited, a wholly-owned subsidiary of the Company issued zero coupon guaranteed convertible bonds ("the zero coupon Bonds") with a nominal value of USD$200,000,000. The zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of the zero coupon Bonds during the year. The zero coupon Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK$8.56 per share at any time on or after 14 January 2021 and up to the close of business on the date falling ten days prior to 4 December 2025. The zero coupon Bonds are redeemable at the option of the bondholders at 100.00 per cent of its principal amount on 21 December 2023. Any zero coupon Bonds convertible notes not converted will be redeemed on 4 December 2025 at 100.00 per cent of its principal amount.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2020
	RMB'000
Nominal value of convertible bonds issued during the year	3,416,350
Equity component	(338,050)
Direct transaction costs attributable to the equity component	(3,161)
Direct transaction costs attributable to the liability component	(30,489)
Liability component at the issuance date	3,044,650
Interest expense	42,993
Exchange realignment	(163,569)
Liability component at 31 December (Note 31)	2,924,074

NOTES TO FINANCIAL STATEMENTS

31 December 2020

33. DEFERRED REVENUE

	Government special subsidies	
	2020	2019
	RMB'000	RMB'000
At the beginning of year	**1,054,306**	981,396
Additions during the year	**674,915**	702,226
Amortised to the statement of profit or loss	**(665,202)**	(629,316)
At the end of year	**1,064,019**	1,054,306

(i) Government special subsidy

For the year ended 31 December 2020, the Group received a government special subsidy of RMB177,067,000 (2019: RMB184,201,000), which was mainly granted in accordance with the policies on the Shanghai Pudong New Area government financial subsidy and the financial support funds for economic development. In addition, the Group also received a government special subsidy of RMB354,490,000 (2019: RMB380,177,000) due to policies to support the finance lease industry of the Tianjin Dongjiang bonded port area. In addition, the Group received a government special subsidy of RMB104,020,000 (2019: RMB85,990,000) due to policies of Putuo District to upgrade and develop the industrial support fund of enterprises. Those special subsidies are granted for certain purposes only. The amortisation of those special subsidies reduced the expense to which it related or reduced the amortisation charges of the related assets.

34. SHARE CAPITAL

	Number of shares	Amounts HK$
Issued and fully paid ordinary shares:		
At 31 December 2019 (Note (i))	3,960,819,026	13,085,638,000
At 31 December 2020 (Note (i))	3,977,655,290	13,220,189,000

Note:

(i) The Company purchased its own shares through a trust under a share award scheme (Note 36), which were presented as shares held for the share award scheme.

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34. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Equivalent share capital
		HK$'000	RMB'000
At 1 January 2020 and 31 December 2019	3,960,819,026	13,085,638	10,281,212
Share options exercised (Note(ii))	16,836,264	134,551	115,892
As at 31 December 2020	3,977,655,290	13,220,189	10,397,104

Note:

(ii) The subscription rights attaching to 2,705,424, 2,321,665, 7,132,200, 3,190,310, 916,349 and 570,316 share options were exercised at the subscription price of HK$5.86, HK$7.17, HK$5.714, HK$6.82, HK$7.36 and HK$7.618 per share, respectively (Note 35), resulting in the issue of 16,836,264 shares for a total cash consideration, after expenses, of HK$106,099,000. An amount of HK$28,452,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

35. SHARE OPTION SCHEME

Pursuant to a resolution in writing passed on 7 July 2014 by the shareholders of the Company, a share option scheme (the "Share Option Scheme") has been adopted by the Company.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants and certain qualified participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any subsidiary (the "Grantees"). The total number of new shares in respect of which options may be granted under the Share Option Scheme shall not exceed 4% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting, which is 131,696,000 shares. The Share Option Scheme will be valid for 10 years from the date of its adoption.

Since the total share options under the 2014 Share Option Scheme have been fully granted, the Company adopted a New Share Option Scheme which was approved by the Shareholders at the Annual General Meeting on 5 June 2019. The total number of new Shares in respect of which the Share Options may be granted under the New Share Option Scheme shall not exceed 4% of the Company's issued Shares as at the date of approval of the New Share Option Scheme by the Shareholders, which is 158,167,904 Shares.

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35. SHARE OPTION SCHEME (continued)

The offer of a grant of share options ("Share Options") may be accepted upon payment of a nominal consideration of HK$1 in total by the Grantees subject to any early termination, and the share option scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme is approved by the shareholders of the Company. The vesting of the share options is mainly subject to fulfilment of the Company's performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the higher of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date. The Share does not carry nominal value.

On 23 July 2020, the Board announced that, the Company has resolved to the seventh offer to grant Share Options to the Grantees under the Share Option Scheme to subscribe for a total of 24,990,529 ordinary shares in the capital of the Company.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price* per share option	Number of share options	
Expiry date	HK$	**2020**	2019
11 July 2024	5.86	**5,044,475**	7,838,563
3 July 2025	7.17	**8,948,403**	13,273,029
15 June 2026	5.714	**16,109,896**	26,459,987
20 June 2027	6.82	**19,404,581**	29,099,616
18 July 2028	7.36	**22,641,629**	32,096,814
19 July 2029	7.618	**21,962,154**	30,422,016
23 July 2030	6.7	**23,066,258**	–
		117,177,396	139,190,025

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35. SHARE OPTION SCHEME (continued)

* Movements in the number of the Share Options outstanding and their related weighted average exercise prices granted under the Share Option Scheme during the year are as follows:

Exercise price per share option (HK$)	Date of grant	Outstanding as at 1 January 2019	Granted during the year ended 31 December 2019	Forfeited during the year ended 31 December 2019	Exercised during the year ended 31 December 2019	Outstanding as at 31 December 2019	Granted during the year ended 31 December 2020	Forfeited during the year ended 31 December 2020	Exercised during the year ended 31 December 2020	Outstanding as at 31 December 2020
5.86	11 July 2014	9,281,353	–	(942)	(1,441,848)	7,838,563	–	(88,664)	(2,705,424)	5,044,475
7.17	3 July 2015	15,411,202	–	(556,711)	(1,581,462)	13,273,029	–	(2,002,961)	(2,321,665)	8,948,403
5.714	15 June 2016	30,708,096	–	(1,640,193)	(2,607,916)	26,459,987	–	(3,217,891)	(7,132,200)	16,109,896
6.82	20 June 2017	32,166,747	–	(2,041,968)	(1,025,163)	29,099,616	–	(6,504,725)	(3,190,310)	19,404,581
7.36	18 July 2018	33,945,539	–	(1,848,725)	–	32,096,814	–	(8,538,836)	(916,349)	22,641,629
7.618	19 July 2019	–	31,633,581	(1,211,565)	–	30,422,016	–	(7,889,546)	(570,316)	21,962,154
6.70	23 July 2020	–	–	–	–	–	24,990,529	(1,924,271)	–	23,066,258
Total number at the end of the year		121,512,937	31,633,581	(7,300,104)	(6,656,389)	139,190,025	24,990,529	(30,166,894)	(16,836,264)	117,177,396
Weighted average exercise price (HK$)		6.66	7.618	6.87	6.26	6.89	6.70	7.08	6.30	6.88

5,044,475 (2019: 7,838,563), 8,948,403 (2019: 13,273,029), 16,109,896 (2019: 16,550,989), 11,690,472 (2019: 8,917,194), 6,182,803 (2019: Nil) and 6,082,073 (2019: Nil) share options which were granted on 11 July 2014, 3 July 2015, 15 June 2016 and 20 June 2017, 18 July 2018 and 19 July 2019, respectively, were vested and exercisable, but not yet exercised during the year.

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2020 was RMB171,197,000 (31 December 2019: RMB213,024,000). The weighted average fair values were RMB1.27, RMB1.43, RMB1.48 and RMB1.58 per option for each of the four tranches with one-year, two-year, three-year and four-year (31 December 2019: The weighted average fair values were RMB1.47, RMB1.51, RMB1.55 and RMB1.55 per option each for four tranches with one-year, two-year, three-year and four-year) vesting periods, respectively. The Group recognised a share option expense of RMB29,856,000 (2019: RMB31,505,000) during the year ended 31 December 2020 in employee benefit expense.

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35. SHARE OPTION SCHEME (continued)

The fair values of the Share Options were estimated as at their respective dates of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

	2020	2019
Expected dividend yield (%)	5.09	4.05
Expected volatility (%)	33.53	33.83
Risk-free interest rate (%)	0.38	1.61
Validity period of the share options (year)	10	10
Share price (HK$ per share)	6.48	7.40
Expected exercise trigger multiple	2.00	2.00

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

At 31 December 2020, the Company had 63,119,274 (31 December 2019: 92,610,250) non-vested share options (including 12,569,591 (31 December 2019: 12,980,177) non-vested share options granted to certain executive directors, 20,026,399 (31 December 2019: 21,333,989) non-vested share options granted to certain employees among five highest paid employees and 22,670,877 (31 December 2019: 28,330,071) non-vested share options granted to certain key management personnel) outstanding under the Share Option Scheme. Should all of them be vested, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 63,119,274 (31 December 2019: 92,610,250) additional ordinary shares of the Company.

At the date of approval of these financial statements, the Company had 117,177,396 (2019: 139,190,025) share options outstanding under the Share Option Scheme, which represented approximately 3.05% (2019: 3.67%) of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

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36. RESTRICTED SHARE AWARD SCHEME

On 11 June 2014, the Board announced that it has adopted a share award scheme (the "Share Award Scheme"), under which some restricted shares (the "Restricted Shares") will be held on trust for the relevant selected grantees (the "Selected Grantees") until such Restricted Shares are vested with the relevant Selected Grantees in accordance with the Share Award Scheme rules. The number of Restricted Shares under the Share Award Scheme shall not exceed 197,544,000, representing 6% of the Company's issued share capital as at the date of approval of the Share Award Scheme by the Board. The Share Award Scheme shall be effective from its adoption until it is terminated by the Board or shareholders in a general meeting.

Pursuant to the rules of the Share Award Scheme, the Company has set up a trust, and a third party company acts as the trustee (the "Trustee"). The Company's shares may be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the Selected Grantees until such shares are vested with the Selected Grantees in accordance with the provisions of the Share Award Scheme.

Since the number of Restricted Shares administered by the Trustee has reached the maximum limit as stipulated in the Share Award Scheme, the Board has resolved to make certain amendments to the Share Award Scheme. The Board resolved to refresh the maximum limit of the Shares as Restricted Shares under the Restricted Share Award Scheme (the "Maximum Award Scheme Limit") to the sum of the following numbers of the Shares: (a) 6% of the total number of issued Shares as at the date of approval of the Restricted Share Award Scheme by the Board on 11 June 2014, being 197,544,000 Shares; and (b) 6% of the total number of issued Shares as at the date of approval of the amendments to the Restricted Share Award Scheme by the Board on 20 March 2019, being 237,251,856 Shares.

The vesting of the Restricted Shares under the Share Award Scheme is mainly subject to the fulfilment of Company's performance targets, Selected Grantees remaining as an employee of the Group, as well as Selected Grantees achieving a specified level in annual personal performance evaluations.

The following Restricted Shares were outstanding under the Share Award Scheme during the year:

	Number of Restricted Shares
At 1 January 2019	107,410,084
Granted	47,450,371
Vested	(54,363,996)
Forfeited	(7,629,794)
At 31 December 2019 and 1 January 2020	92,866,665
Granted	37,485,793
Vested	(28,704,663)
Forfeited	(30,884,149)
At 31 December 2020	**70,763,646**

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36. RESTRICTED SHARE AWARD SCHEME (continued)

28,704,663 (31 December 2019: 54,363,996) Restricted Shares were vested during the year. The vesting periods of the Restricted Shares outstanding as at the end of the reporting period are as follows:

2020

Number of Restricted Shares	Vesting period
12,344,155	18 July 2018 to 18 July 2021
11,910,052	19 July 2019 to 19 July 2021
11,910,052	19 July 2019 to 19 July 2022
11,533,129	23 July 2020 to 23 July 2021
11,533,129	23 July 2020 to 23 July 2022
11,533,129	23 July 2020 to 23 July 2023
70,763,646	

2019

Number of Restricted Shares	Vesting period
15,136,817	20 June 2017 to 20 June 2020
16,048,415	18 July 2018 to 18 July 2020
16,048,415	18 July 2018 to 18 July 2021
15,211,006	19 July 2019 to 19 July 2020
15,211,006	19 July 2019 to 19 July 2021
15,211,006	19 July 2019 to 19 July 2022
92,866,665	

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36. RESTRICTED SHARE AWARD SCHEME (continued)

At 31 December 2020, the Company had 70,763,646 (31 December 2019: 92,866,665) non-vested Restricted Shares (including 14,446,951 (31 December 2019: 12,889,845) non-vested Restricted Shares granted to certain executive directors, 23,297,342 (31 December 2019: 21,172,672) non-vested Restricted Shares granted to certain employees among five highest paid employees and 26,414,504 (31 December 2019: 28,255,128) non-vested Restricted Shares granted to certain key management personnel) outstanding under the Share Award Scheme.

Under the Share Award Scheme, there were shares of 136,648,367 (31 December 2019: 165,353,030) in total amounting to RMB866,947,000 (31 December 2019: RMB1,070,078,000), i.e. at a weighted average price of RMB6.34 (2019: RMB6.47), held by the trust at 31 December 2020. The movements of the shares held for the Share Award Scheme are as follows:

	Number of shares	Amount
		RMB'000
At 1 January 2019	109,717,026	673,079
Purchase of shares under Share Award Scheme	110,000,000	774,973
Vested	(54,363,996)	(377,974)
At 31 December 2019 and 1 January 2020	165,353,030	1,070,078
Purchase of shares under Share Award Scheme	–	–
Vested	(28,704,663)	(203,131)
At 31 December 2020	**136,648,367**	**866,947**

The fair value (measured as at the grant dates) of the Restricted Shares that were outstanding as at 31 December 2020 was RMB391,168,000 (31 December 2019: RMB536,900,000). The weighted average fair values were RMB5.56, RMB5.64 and RMB5.45 per share (31 December 2019: RMB6.25, RMB5.88 and RMB5.56 per share) for each of the three tranches with one-year, two-year and three-year vesting periods (31 December 2019: for three tranches with one-year, two-year and three-year vesting periods), respectively. The Group recognised an amount of RMB132,990,000 (2019: RMB268,161,000) in employee benefit expense during the year ended 31 December 2020.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

36. RESTRICTED SHARE AWARD SCHEME (continued)

The fair value of the Restricted Shares granted during the year was estimated as at their respective dates of grant, using a no-arbitrage model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the main inputs to the model used:

	2020	2019
Expected dividend yield (%)	5.09	4.05
Share price (HK$ per share)	6.48	7.40

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity of the financial statements.

The Group's capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the reorganisation as defined in the Prospectus, over the nominal value of the Company's shares issued as consideration plus the amount of borrowings capitalised in excess of the nominal value of shares issued.

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profits after taxation, as determined under PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividend to shareholders.

The special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary, Shanghai Horizon Construction Engineering Equipment Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

The share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme and the Share Award Scheme which are yet to be exercised. The amount will be transferred to share capital or shares held for the share award scheme when the related Share Options are exercised or when Restricted Shares are vested.

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38. PERPETUAL SECURITIES

On 14 June 2017, the Company issued US$300,000,000 perpetual capital securities (the "Perpetual Securities") at an initial distribution rate of 4.35% under the US$4,000,000,000 medium term note and perpetual securities programme updated on 1 June 2017 by the Company. The Perpetual Securities are unsecured.

Distributions of the Perpetual Securities may be paid semi-annually in arrears on 14 June and 14 December of each year (the "Distribution Payment Date") and may be deferred at the discretion of the Company unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred. Following a deferral, arrears of distributions are cumulative.

The Perpetual Capital Securities have no fixed maturity date and are callable at the Company's option in whole on 14 June 2022 (the "First Call Date") or on any Distribution Payment Date falling after the First Call Date at their principal amounts together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amounts). The applicable distribution rate will be reset, (i) in respect of the period from, and including, the Issue Date to, but excluding, 14 June 2022 (the "First Call Date") at 4.35% per annum (the "Initial Distribution Rate"); and (ii) in respect of the period (A) from, and including, the First Call Date to, but excluding, the immediately following reset date (the "Reset Date") and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the day immediately following the Reset Date. The relevant reset distribution rate shall be the specified US treasury rate as at each relevant Reset Date plus the initial spread 2.62% plus 5.00% per annum.

On 6 July 2017, International Far Eastern Leasing Co., Ltd. ("Far Eastern Leasing"), a wholly-owned subsidiary of the Company, completed the issuance of renewable corporate bonds (the "Renewable Bonds") in an amount of RMB5 billion in the PRC. The basic term of the Renewable Bonds will be 3 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 5.5% per annum.

Distributions of the Renewable Bonds may be paid annually in arrears on 6 July of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The Renewable Bonds have been fully redeemed on 6 July 2020.

On 4 December 2017, King Talent Management Limited ("King Talent"), a wholly-owned subsidiary of the Company, issued US$400,000,000 guaranteed subordinated perpetual capital securities (the "Guaranteed Perpetual Securities") at an initial distribution rate of 5.60% per annum. The Company has guaranteed, on a subordinated basis, all sums falling due under the terms of the Guaranteed Perpetual Securities.

The Company may, at its sole discretion, elect to defer (in whole or in part) a Distribution which is otherwise scheduled to be paid by King Talent on a Distribution Payment Date (i.e. 4 June and 4 December of each year, starting from 4 June, 2018) to the next Distribution Payment Date prior to the relevant Distribution Payment Date, unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

38. PERPETUAL SECURITIES (continued)

The Guaranteed Perpetual Securities have no fixed maturity date, which may be redeemed at the option of King Talent in whole, but not in part, on the First Reset Date or on any Distribution Payment Date thereafter at their principal amount together with all outstanding arrears of distribution and any Additional Distribution Amounts (if any) and any Distribution accrued to the date fixed for redemption. The distribution rate will be reset for the period (A) from and including the Issue date to, but excluding 4 December 2022 (the "First Reset Date"), the initial distribution rate; (B) for each reset distribution period from and including the First Reset Date to, but excluding 4 December 2037, the relevant reset distribution rate; and (C) for each reset distribution period from and including 4 December 2037 to, but excluding the redemption date of the securities, if any, the relevant reset distribution rate plus 5.00 percent per annum. The relevant reset distribution rate shall be the specified US treasury rate as at each relevant Reset Date plus the initial spread of 3.521%.

On 24 July 2019, Far Eastern Leasing completed the issuance of perpetual trusted loans (the "Perpetual Loans") in an amount of RMB49,850,000 in the PRC. The basic term of the Perpetual Loans will be 5 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 6.0% per annum.

Distributions of the Perpetual Loans may be paid annually in arrears on 24 July of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 18 February 2020, Far Eastern Leasing completed the issuance of renewable corporate bonds (Epidemic Prevention and Control Securities) (the "Renewable Corporate Bonds") (Phase One) in an amount of RMB2,000,000,000 in the PRC. The Renewable Corporate Bonds (Phase One) consists of Variety One and Variety Two. The issue size of Variety One was RMB1,500,000,000 and the basic term will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 3.87% per annum. The issue size of Variety Two was RMB500,000,000 and the basic term will be 3 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 4.13% per annum.

Distributions of the Renewable Corporate Bonds (Phase One) may be paid annually in arrears on 18 February of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 18 June 2020, Far Eastern Leasing completed the issuance of renewable corporate bonds (the "Renewable Corporate Bonds") (Phase Two) in an amount of RMB700,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase Two) will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 3.98% per annum.

Distributions of the Renewable Corporate Bonds (Phase Two) may be paid annually in arrears on 18 June of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

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38. PERPETUAL SECURITIES (continued)

On 25 December 2020, Far Eastern Leasing completed the issuance of perpetual trusted loans (the "Perpetual Trust Loans") in an amount of RMB970,000,000 in the PRC. The basic term of the Perpetual Trust Loan will be 1 year (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 5.65% per annum.

Distributions of the Perpetual Trust Loan may be paid every three months in arrears on and after 21 March of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The distribution rate will be reset every year. The relevant reset distribution rate shall be the higher of (A) the coupon distribution rate of 5.65% per annum plus 3%, and (B) the specified arithmetic average of the yields of PRC treasury bonds plus the initial spread plus 3%.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the Perpetual Capital Securities, the Renewable Bonds, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loans other than an unforeseen liquidation of the Company.

The direct transaction costs attributable to the Perpetual Capital Securities, the Renewable Bonds, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loan amounted to RMB5,451,000, RMB14,892,000, RMB16,309,000, RMB64,000, RMB6,000,000 and nil, respectively.

For the year ended 31 December 2020, the profits attributable to holders of the Perpetual Capital Securities, the Renewable Bonds, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loan (collectively "Perpetual Securities"), based on the applicable distribution rates, were RMB86,569,000 (2019:RMB92,304,000), RMB130,180,000 (2019:RMB263,253,000), RMB154,433,000 (2019: RMB154,440,000), RMB2,869,000 (2019: 1,338,000), RMB65,583,000 (2019: Nil), RMB14,383,000 (2019: Nil) and RMB1,005,000 (2019: Nil), respectively, and the distribution made by the Group to the holders of the Perpetual Securities was RMB499,070,000 (2019: RMB490,503,000).

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39. BUSINESS COMBINATIONS

In May 2020, the Group acquired 54.6744% of the voting shares of Pizhou Dongda Hospital Co., Ltd. ("Pizhou Dongda Hospital").

In July 2020, the Group acquired 60% of the voting shares of The National Mathematics and Science College Limited.

The acquisitions have been accounted for using the acquisition method. The consolidated financial statements include the results of the acquired subsidiary since its acquisition date.

Acquisition of Pizhou Dongda Hospital

The fair values of the identifiable assets and liabilities of Pizhou Dongda Hospital as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Assets	
Property, plant and equipment	523,231
Cash	48,211
Accounts receivable	21,556
Prepayments, other receivables and other assets	44,290
Inventories	6,648
Other intangible assets	5,816
Deferred tax assets	10,879
Right-of-use assets	73,998
	734,629

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39. BUSINESS COMBINATIONS (continued)

Acquisition of Pizhou Dongda Hospital (continued)

The fair values of the identifiable assets and liabilities of Pizhou Dongda Hospital as at the date of acquisition were as follows: (continued)

	Fair value recognised on acquisition
	RMB'000
Liabilities	
Trade payables	(36,822)
Other payables and accruals	(60,516)
Interest-bearing bank and other borrowings	(45,259)
Taxes payable	(6,033)
Deferred tax liabilities	(53,960)
Lease liabilities	(32,981)
	(235,571)
Total identifiable net assets at fair value	499,058
Non-controlling interests	(226,201)
Goodwill arising on acquisition	5,983
Purchase consideration transferred	278,840
Including: Consideration paid upon acquisition	55,768
Consideration paid after acquisition	195,188
Consideration to be paid after acquisition	27,884

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31 December 2020

39. BUSINESS COMBINATIONS (continued)

Acquisition of Pizhou Dongda Hospital (continued)

The fair values of the identifiable assets and liabilities of Pizhou Dongda Hospital as at the date of acquisition were as follows: (continued)

	Fair value recognised on acquisition
	RMB'000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	
(included in cash flows from investing activities)	48,211
Cash paid	(250,956)
Net outflow of cash and cash equivalents	
(included in cash flows from investing activities)	(202,745)
Transaction costs of the acquisition	
(included in cash flows from operating activities)	(510)
	(203,255)

Since the acquisition, Pizhou Dongda Hospital has contributed RMB187,499,000 to the Group's revenue and a net profit of RMB10,275,000 to the consolidated profit for the year ended 31 December 2020.

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31 December 2020

39. BUSINESS COMBINATIONS (continued)

Acquisition of The National Mathematics and Science College Limited

The fair values of the identifiable assets and liabilities of The National Mathematics and Science College Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Assets	
Property, plant and equipment	8,591
Cash	2,458
Accounts receivable	7,822
Prepayments, other receivables and other assets	1,242
	20,113
Liabilities	
Trade payables	(4,333)
Other payables and accruals	(25,826)
Interest-bearing bank and other borrowings	(28,279)
	(58,438)
Total identifiable net assets at fair value	(38,325)
Non-controlling interests	15,330
Goodwill arising on acquisition	22,995
Purchase consideration transferred	–

NOTES TO FINANCIAL STATEMENTS

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39. BUSINESS COMBINATIONS (continued)

Acquisition of The National Mathematics and Science College Limited (continued)

The fair values of the identifiable assets and liabilities of The National Mathematics and Science College Limited as at the date of acquisition were as follows: (continued)

	Fair value recognised on acquisition
	RMB'000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,458
Cash paid	–
Net inflow of cash and cash equivalents (included in cash flows from investing activities)	2,458
Transaction costs of the acquisition (included in cash flows from operating activities)	–
	2,458

Since the acquisition, The National Mathematics and Science College Limited has contributed RMB11,529,000 to the Group's revenue and a net loss of RMB5,939,000 to the consolidated profit for the year ended 31 December 2020.

If the acquisitions had taken place at the beginning of the year, revenue of the Group would have been RMB29,179,839,000 and the net profit of the Group for the year would have been RMB5,037,498,000.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining their assets and activities with those of the Group. The goodwill is not deductible for income tax purposes.

Transaction costs of RMB610,000 have been expensed and are included in administrative expenses in the statement of profit or loss.

The Group acquired Hongwen Montessori Academy Changsha Campus, Chengdu Jinsha Hospital, Guangzhou JP-WH precision Circuit Co., Ltd., Ningbo Qixu New Energy Technology Company Limited, Taizhou Dehong New Energy Technology Company Limited, Ningbo Zhenhai Second Hospital, Zhecheng Hospital of Traditional Chinese Medicine Co., Ltd., Shanxi Shangtaike New Energy Company Limited, Beijing Yueyang Changsheng New Energy Technology Co., Ltd., Hai An Tian Li Yuan New Energy Co., Ltd., Linghai Dalinghe Hospital Co., Ltd., Beijing Nengrong Jingsheng Electric Power Technology Co., Ltd. and Changxing Zhizhou Hospital Co., Ltd. during the year ended 31 December 2019.

NOTES TO FINANCIAL STATEMENTS

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40. DISPOSAL OF SUBSIDIARIES

In May 2020, the Group disposed of 100% of the voting shares of Shanghai Baishan Enterprise Management Co., Ltd. ("Shanghai Baishan").

In June 2020, the Group cancelled the registration of Shanghai Jingan Montessori Campus ("Shanghai JingAn").

In July 2020, the Group disposed of 100% of the voting shares of Hangzhou Montessori Campus ("Hangzhou Mengshi"), 100% of the voting shares of Hangzhou Montessori Academy Co., Ltd. ("Hangzhou Montessori") and 100% of the voting shares of Qingdao Montessori Campus ("Qingdao Campus").

In August 2020, the Group disposed of 100% of the voting shares of Chongqing Montessori Academy Co., Ltd. ("Chongqing Montessori") and its subsidiary, Montessori Academy Chongqing Yubei Campus ("Chongqing Campus"), and 100% of the voting shares of Changzhou Hongyue Obstetrics&Gynecology Hospital Co., Ltd. ("Changzhou Hongyue"). The Group cancelled the registration of Shanghai Minhang Yuanhong Montessori Campus and Shanghai Minhang Hongxin Montessori Campus.

In September 2020, the Group disposed of 100% of the voting shares of Huangshi Hongyue maternity hospital Co., Ltd. ("Huangshi Hongyue").

In November 2020, the Group cancelled the registration of Panzhihua Hongyue Women&Children's Hospital Co., Ltd. ("Panzhihua Hongyue").

In December 2020, the Group disposed of 52% of the voting shares of Changxing Zhizhou Hospital Co., Ltd. ("Changxing Zhizhou").

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40. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of Hangzhou Mengshi, Chongqing Montessori, Chongqing Campus, Hangzhou Montessori and Qingdao Campus, and cancellation of the registration of Shanghai JingAn, Shanghai Minhang Yuanhong Montessori Campus and Shanghai Minhang Hongxin Montessori Campus ("Education Industry related companies")

Net assets of Education Industry related companies as at the date of disposal and cancellation were as follows:

	2020
	RMB'000
Net assets disposed of:	
Cash and cash equivalents	196
Prepayments, other receivables and other assets	27,667
Property, plant and equipment	8,542
Right-of-use assets	143,121
Trade and bills payables	(241)
Other payables and accruals	(17,343)
Lease liabilities	(157,813)
	4,129
Gain on disposal of subsidiaries	3,346
	7,475
Satisfied by:	
Cash	7,475
Analysis of cash flows on disposal:	
Cash consideration	7,475
Cash and cash equivalents disposed of	(196)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	7,279

NOTES TO FINANCIAL STATEMENTS

31 December 2020

40. DISPOSAL OF SUBSIDIARIES (Continued)

Disposal of Changzhou Hongyue, Huangshi Hongyue, Shanghai Baishan and Changxing Zhizhou, and cancellation of the registration of Panzhihua Hongyue ("Hospital Industry related companies")

Net assets of Hospital Industry related companies as at the date of disposal and cancellation were as follows:

	2020
	RMB'000
Net assets disposed of:	
Cash and cash equivalents	15,870
Loans and accounts receivables	45,680
Prepayments, other receivables and other assets	32,893
Inventories	2,509
Property, plant and equipment	4,229
Other intangible assets	1,008
Right-of-use assets	268,037
Goodwill	44,023
Trade and bills payables	(44,269)
Other payables and accruals	(23,931)
Lease liabilities	(96,678)
Non-controlling interests	(20,798)
	228,573
Gain on disposal of subsidiaries	32,789
	261,362
Satisfied by:	
Cash	261,362
Analysis of cash flows on disposal:	
Cash consideration	261,362
Cash and cash equivalents disposed of	(15,870)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	245,492

NOTES TO FINANCIAL STATEMENTS

31 December 2020

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB155,427,000 (2019: RMB1,084,652,000) and RMB155,427,000 (2019: RMB1,084,652,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2020

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non-controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	95,853,376	68,248,110	1,873,077	–	–
Changes from financing cash flows	16,904,277	25,539,954	(962,182)	3,382,700	179,564
Equity component of convertible bonds	–	–	–	(338,050)	–
New leases	–	–	155,427	–	–
Foreign exchange movement	(2,255,961)	(424,290)	–	(163,569)	–
Interest expense	8,398,887	123,096	56,610	42,993	–
Interest paid classified as operating cash flows	(7,933,826)	(126,602)	–	–	–
Fair value gains	–	–	–	–	42,449
Reassessment and revision of lease terms	–	–	(80,830)	–	–
Increase arising from acquisition of subsidiaries	73,538	–	32,981	–	–
Decrease arising from disposal of subsidiaries	–	–	(254,491)	–	–
At 31 December 2020	111,040,291	93,360,268	820,592	2,924,074	222,013

NOTES TO FINANCIAL STATEMENTS

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2019

	Bank and other loans	Bonds	Lease liabilities
	RMB'000	RMB'000	RMB'000
At 1 January 2019	95,861,054	78,685,669	871,593
Changes from financing cash flows	(322,296)	(10,413,519)	(214,313)
Foreign exchange movement	729,442	(165,923)	–
New leases	–	–	1,084,652
Interest expense	4,969,873	3,409,731	64,156
Interest paid classified as operating cash flows	(5,399,697)	(3,267,848)	–
Increase arising from acquisition of subsidiary	15,000	–	66,989
At 31 December 2019	95,853,376	68,248,110	1,873,077

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020
	RMB'000
Within financing activities	**(962,182)**

NOTES TO FINANCIAL STATEMENTS

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42. CONTINGENT LIABILITIES

At 31 December 2020, contingent liabilities that are not provided for in the financial statements were as follows:

	2020	2019
	RMB'000	RMB'000
Claimed amounts	6,310	15,417

43. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in Notes 13, 14, 23, 27 and 31, respectively, to the financial statements.

44. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2020	2019
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and machinery	324,921	248,141
Purchase of a shareholding	–	10,000
	324,921	258,141

NOTES TO FINANCIAL STATEMENTS

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44. COMMITMENTS (continued)

(b) Credit commitments

The Group's irrevocable credit commitments at the end of the reporting period were as follows:

	2020	2019
	RMB'000	RMB'000
Irrevocable credit commitments	8,101,274	9,713,667

At any given time, the Group also has outstanding commitments to extend credit, which are included in irrevocable credit commitments. These commitments are in the form of approved lease contracts, which have yet to be provided at the end of each reporting period.

45. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

Ultimate holding company of a shareholder with significant influence
Sinochem Group

A shareholder with significant influence
Greatpart Limited

Subsidiaries of the ultimate holding company of the shareholder with significant influence
Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")
Sinochem Finance Co., Ltd.
China Jin Mao Group Co., Ltd.
Beijing Chemsunny Property Co., Ltd.
Jin Mao (Shanghai) Property Management Service Co., Ltd.
Sinochem Jinmao Property Management (Beijing) Co., Ltd.
Sinochem Corporation
Sinochem International (Overseas) Pte. Ltd.
Sinochem International Tendering Co., Ltd. ("Sinochem Tendering")

NOTES TO FINANCIAL STATEMENTS

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45. RELATED PARTY TRANSACTIONS (continued)

Relationship between the Group and its related parties: (continued)

Joint ventures

Weihai Haida Hospital Co., Ltd. *
Guangzhou Kangda Industrial Technology Co., Ltd.
Kunming Broadhealthcare Investment Co., Ltd.
Teamway Shipping Limited
Gold Chance Shipping Limited
Fengyang Qianmen Hospital Co., Ltd.
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.**
Grand Flight Investment Management Co., Ltd.
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.
Shanghai Shengjiang Investment Management Co., Ltd.

Associates

Tianjin FIS Asset Management Co., Ltd.
Shanghai Yijia Construction Development Co., Ltd.
Hua Bao – Far Eastern Leasing portfolio investment collective fund trust
CITIC – Far Eastern Leasing portfolio investment collective fund trust
XMITIC – Far Eastern Leasing portfolio investment collective fund trust
SCHTRUST- Far Eastern Leasing portfolio investment collective fund trust

* Jointly controlled by the Group until 25 March 2019

** Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. is the subsidiary of Grand Flight Investment Management Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

45. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions and balances disclosed in Notes 23, 24, 27, 29, 30 and 31 to the financial statements, the Group had the following material transactions with related parties during the year.

(i) Interest income from cash at banks

	2020	2019
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	3,667	3,944

The interest income was earned at rates ranging from 0.35% to 1.495% (2019: 0.35%-1.15%) per annum.

(ii) Service fee income

	2020	2019
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	31	1,132
Kunming Broadhealthcare Investment Co., Ltd.	–	3,044
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	2,067	–
Fengyang Qianmen Hospital Co., Ltd.	86	–
	2,184	4,176

Services were provided based on prices mutually agreed between the parties.

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45. RELATED PARTY TRANSACTIONS (continued)

(iii) Interest expense on borrowings

	2020	2019
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	30,744	47,342

The interest expenses were charged at a rate from 3.6% to 4.185% (2019: 5.6%) per annum.

(iv) Interest expenses

	2020	2019
	RMB'000	RMB'000
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	29	28
Grand Flight Investment Management Co., Ltd.	426	335
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	58	33
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	1,300	2,357
Tianjin FIS Asset Management Co., Ltd.	–	391
Beijing Chemsunny Property Co., Ltd.	–	615
	1,813	3,759

The interest expenses were charged at a rate of 1.485% (2019: 1.485% to 4.9%) per annum.

(v) Consultancy service fee and other financial service fee

	2020	2019
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	10,433	22,095

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45. RELATED PARTY TRANSACTIONS (continued)

(vi) Rentals paid as a lessee (rental expenses)

	2020	2019
	RMB'000	RMB'000
China Jin Mao Group Co., Ltd.	–	37
Beijing Chemsunny Property Co., Ltd.	8,140	8,140
Jin Mao (Shanghai) Property Management Services Co., Ltd.	–	34
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	562	563
	8,702	8,774

These rentals were charged based on rates mutually agreed between the parties.

(vii) Interest income from loans and accounts receivables

	2020	2019
	RMB'000	RMB'000
Weihai Haida Hospital Co., Ltd.	–	893
Guangzhou Kangda Industrial Technology Co., Ltd.	7,053	6,531
Kunming Broadhealthcare Investment Co., Ltd.	3,417	5,512
Tianjin FIS Asset Management Co., Ltd.	44,524	19,836
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	3,886	2,286
Shanghai Shengjiang Investment Management Co., Ltd.	1,396	–
	60,276	35,058

NOTES TO FINANCIAL STATEMENTS

31 December 2020

45. RELATED PARTY TRANSACTIONS (continued)

(viii) Tendering service fee

	2020	2019
	RMB'000	RMB'000
Sinochem International Tendering Co., Ltd.	–	40

The tendering service fee was charged based on prices mutually agreed between the parties.

(ix) Sales of goods

	2020	2019
	RMB'000	RMB'000
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	4,558	8,992

(x) Decoration fee

	2020	2019
	RMB'000	RMB'000
Shanghai Yijia Construction Development Co., Ltd.	7,951	–

(xi) Compensation of key management personnel of the Group

	2020	2019
	RMB'000	RMB'000
Short term employee benefits	96,462	133,511

During 2020, certain members of key management personnel of the Group were granted share options and restricted shares in respect of their services to the Group under the share option scheme and the restricted share award scheme of the Company, further details of which are set out in Note 35 and Note 36 to the financial statements.

Further details of directors' emoluments are set out in Note 8 to the financial statements.

The related party transactions in respect of items (i), (iii), (v), (vi) and (viii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

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46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	229,397,307	–	–	–	229,397,307
Financial assets included in prepayments, other receivables and other assets	5,360,263	–	–	–	5,360,263
Restricted deposits	3,474,869	–	–	–	3,474,869
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	288,818	–	288,818
Derivative financial instruments designated as hedging instruments in fair value hedges	–	149	–	–	149
Financial assets at fair value through profit or loss	–	9,342,565	–	–	9,342,565
Debt investment at fair value through other comprehensive income	–	–	–	108,176	108,176
Cash and cash equivalents	11,877,235	–	–	–	11,877,235
	250,109,674	9,342,714	288,818	108,176	259,849,382

NOTES TO FINANCIAL STATEMENTS

31 December 2020

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	7,880,410	–	–	7,880,410
Financial liabilities included in other payables and accruals	27,561,842	–	–	27,561,842
Interest-bearing bank and other borrowings*	200,292,081	–	–	200,292,081
Convertible bonds-host debts	2,924,074	–	–	2,924,074
Lease liabilities	820,592	–	–	820,592
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	1,855,165	1,855,165
Other non-current liabilities	–	222,013	–	222,013
	239,478,999	222,013	1,855,165	241,556,177

* Including the effect of fair value gains/losses on the hedged item attributable to the hedged risk in the fair value hedge as further detailed in Note 22 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2019

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	201,120,901	–	–	201,120,901
Financial assets included in prepayments, other receivables and other assets	6,939,042	–	–	6,939,042
Restricted deposits	5,966,661	–	–	5,966,661
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	1,552,867	1,552,867
Derivative financial instruments designated as hedging instruments in fair value hedges	–	12,969	–	12,969
Financial assets at fair value through profit or loss	–	4,442,688	–	4,442,688
Cash and cash equivalents	3,989,571	–	–	3,989,571
	218,016,175	4,455,657	1,552,867	224,024,699

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2019 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	4,473,428	–	–	4,473,428
Financial liabilities included in other payables and accruals	37,211,827	–	–	37,211,827
Interest-bearing bank and other borrowings*	162,396,266	–	–	162,396,266
Lease liabilities	1,873,077	–	–	1,873,077
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	184,337	184,337
Derivative financial instruments designated as hedging instruments in fair value hedges	–	177	–	177
	205,954,598	177	184,337	206,139,112

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value in the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in deposits, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and borrowings.

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable:

Cash and cash balances, the current portion of financial assets included in deposits and other receivables, trade and bills payables, short term borrowings and the current portion of financial liabilities included in other payables and accruals

Substantially all of the financial assets and liabilities mature within one year from the end of each reporting period and their carrying values approximate to their fair values.

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47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

Loans and accounts receivables, interest-bearing bank and other borrowings except for bonds issue and short term borrowings and restricted deposits

Substantially all of the loans and accounts receivables, restricted deposits and interest-bearing bank and other borrowings, except for bonds issued and short term borrowings, are on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values.

Bonds issued and convertible bonds-host debts

The fair values of the bonds and convertible bonds-host debts issued are calculated based on a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows：

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds issued	**92,190,752**	67,077,413	**92,107,786**	67,832,131
Convertible bonds-host debts	**2,924,074**	–	**3,026,531**	–

Non-current portion of financial assets included in prepayments deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals

The fair values of the non-current portion of financial assets included in prepayment deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The difference between the carrying amounts and the fair values of those financial assets and liabilities is not significant.

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47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value

Non-deliverable cross-currency swaps and interest rate swaps

Non-deliverable cross-currency swaps and interest rate swaps are measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets at fair value through profit or loss

The valuations of the financial assets at fair value through profit or loss were based on information known to the Group and market conditions existing at the end of the reporting period. The fair values were determined by using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions, referring to the current market value of another instrument that is substantially the same and making as much use of available and supportable market data as possible.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020:

Description	Fair value at 31 December 2020	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial investments at fair value profit or loss	1,770,807	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the lower the fair value/ The higher the volatility, the higher the fair value

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1:	fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3:	fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value

As at 31 December 2020

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	269,809	–	269,809
Interest rate swaps – assets	–	19,158	–	19,158
Cross-currency interest rate swaps – liabilities	–	(1,756,842)	–	(1,756,842)
Forward currency contracts – liabilities	–	(72,485)	–	(72,485)
Interest rate swaps – liabilities	–	(25,838)	–	(25,838)
Financial assets at fair value through profit or loss	233,100	7,338,658	1,770,807	9,342,565
Debt investments at fair value through other comprehensive income	–	108,176	–	108,176
Other non-current liabilities	–	(222,013)	–	(222,013)

As at 31 December 2019

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	1,528,354	–	1,528,354
Forward currency contracts – assets	–	24,513	–	24,513
Interest rate swaps – assets	–	12,969	–	12,969
Cross-currency interest rate swaps – liabilities	–	(142,678)	–	(142,678)
Forward currency contracts – liabilities	–	(24,482)	–	(24,482)
Interest rate swaps – liabilities	–	(17,354)	–	(17,354)
Financial assets at fair value through profit or loss	–	4,442,688	–	4,442,688

During the year ended 31 December 2020, there were transfers at fair value measurements from Level 2 to Level 1 and from Level 2 to Level 3 (year ended 31 December 2019: Nil).

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31 December 2020

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2020	2019
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Carrying amount at 1 January 2020	**–**	–
Changes in fair value recognised in profit or loss	**44,320**	–
Additions/(Disposals), net	**1,726,487**	–
Carrying amount at 31 December 2020	**1,770,807**	–

Liabilities for which fair values are disclosed

As at 31 December 2020

	Level 1 Quoted prices in active markets	**Level 2 Significant observable inputs**	**Level 3 Significant unobservable inputs**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	**–**	**92,190,752**	**–**	**92,190,752**
Convertible bonds-host debts	**–**	**2,924,074**	**–**	**2,924,074**

As at 31 December 2019

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	67,832,131	–	67,832,131

NOTES TO FINANCIAL STATEMENTS

31 December 2020

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, entrusted loans, trade receivables, trade payables, bank loans, other interest-bearing loans, cash and short term deposits and derivative financial instruments. The main purpose of bank loans and other interest-bearing loans is to finance the Group's operations while other financial assets and liabilities such as lease receivables, entrusted loans, trade receivables and trade payables are directly related to the Group's operating activities.

The Group also enters into derivative transactions, including principally cross-currency interest rate swaps, forward currency contracts and RMB-denominated interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings, lease receivables and other loans. The Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure. For example, the Group enters into cash flow and fair value hedges (See Note 22).

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of the reporting period subject to repricing within the coming year.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

	Increase/(decrease) in profit before tax As at 31 December	
	2020	2019
	RMB'000	RMB'000
Change in basis points		
+100 basis points	**30,639**	30,798
– 100 basis points	**(30,639)**	(30,798)

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities change by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and, to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than the RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 22).

The exchange rate of RMB to the United States Dollar ("US$") is managed under a floating exchange rate system. The Hong Kong Dollar ("HK$") exchange rate has been pegged to US$, and therefore, the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to US$.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

The table below is a sensitivity analysis of the change in the exchange rate of the currency to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were kept unchanged and, therefore, has not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Group

		Increase/(decrease) in profit before tax As at 31 December	
		2020	2019
Currency	Change in currency rate	RMB'000	RMB'000
US$	+/-1%	**(9,475)/9,475**	13,434/(13,434)
HK$	+/-1%	**(9,192)/9,192**	(8,080)/8,080

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial instruments, entrusted loans and subordinated tranches of asset-backed securities/notes, and debt investments at fair value through profit or loss. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on the customers' creditworthiness information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

at 31 December 2020

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Simplified Approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	110,132	110,132
Accounts receivable	–	–	–	3,280,753	3,280,753
Notes receivable*	547,837	–	–	–	547,837
Interest-earning assets	206,267,538	17,889,704	1,519,651	–	225,676,893
Financial assets included in prepayments, other receivables and other assets	5,360,263	–	–	–	5,360,263
Pledged deposits	3,474,869	–	–	–	3,474,869
Cash and cash equivalents	11,877,235	–	–	–	11,877,235
	227,527,742	17,889,704	1,519,651	3,390,885	250,327,982

* includes notes receivable classified as debt investment at fair value through other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

at 31 December 2019

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Simplified Approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	22,646	22,646
Accounts receivable	–	–	–	3,276,682	3,276,682
Notes receivable	230,438	–	–	–	230,438
Interest-earning assets	178,813,507	17,020,543	1,779,731	–	197,613,781
Financial assets included in prepayments, other receivables and other assets	6,939,042	–	–	–	6,939,042
Pledged deposits	5,966,661	–	–	–	5,966,661
Cash and cash equivalents	3,989,571	–	–	–	3,989,571
	195,939,219	17,020,543	1,779,731	3,299,328	218,038,821

Note:

Among which, the financial assets falling in stage 1 are mainly credit rated as Pass, except for an amount of interest-earning assets of RMB2,655,605,000 (2019: RMB2,762,878,000) are credit rated as Special Mention. All of the financial assets falling in stage 2 and stage 3 are credit rated as Special Mention and Non-performing, respectively.

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The customer bases of the Group's financial assets are widely dispersed in different sectors and industries.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet the liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through daily execution of the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets and liquidity of the Group, maintaining an efficient internal fund transfer mechanism.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows:

	As at 31 December 2020						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	2,858,332	39,601,266	96,973,341	116,717,226	1,567,495	–	257,717,660
Financial assets included in prepayments, other receivables and other assets	–	147,882	767,617	4,005,205	439,559	–	5,360,263
Restricted deposits	–	2,729,375	749,299	143	–	–	3,478,817
Derivative financial instruments	–	219,765	–	69,202	–	–	288,967
Financial assets at fair value through profit or loss	516,305	138,515	2,511,031	3,639,853	1,268,801	1,268,060	9,342,565
Debt investment at fair value through other comprehensive income	–	17,236	90,940	–	–	–	108,176
Cash and cash equivalents	11,877,235	–	–	–	–	–	11,877,235
Total financial assets	15,251,872	42,854,039	101,092,228	124,431,629	3,275,855	1,268,060	288,173,683
FINANCIAL LIABILITIES:							
Trade and bills payables	85,554	1,524,764	6,270,092	–	–	–	7,880,410
Financial liabilities included in other payables and accruals	53,169	5,616,117	5,940,980	15,887,762	63,814	–	27,561,842
Convertible bonds-host debts	–	–	–	2,924,074	–	–	2,924,074
Lease liabilities	–	71,526	166,018	452,002	131,046	–	820,592
Interest-bearing bank and other borrowings	–	35,494,692	70,421,107	100,103,326	921,456	–	206,940,581
Derivative financial instruments	–	19,079	278,362	1,557,724	–	–	1,855,165
Other non-current liabilities	–	–	–	–	222,013	–	222,013
Total financial liabilities	138,723	42,726,178	83,076,559	120,924,888	1,338,329	–	248,204,677
Net liquidity gap	15,113,149	127,861	18,015,669	3,506,741	1,937,526	1,268,060	39,969,006

NOTES TO FINANCIAL STATEMENTS

31 December 2020

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	As at 31 December 2019						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	2,078,411	30,256,766	81,855,032	113,454,859	369,195	–	228,014,263
Financial assets included in prepayments, other receivables and other assets	–	605,687	345,038	5,509,318	478,999	–	6,939,042
Restricted deposits	–	5,807,283	208,051	3,871	–	–	6,019,205
Derivative financial instruments	–	24,513	634,613	906,710	–	–	1,565,836
Financial assets at fair value through profit or loss	–	200,000	112,597	3,113,451	200,235	816,405	4,442,688
Cash and cash equivalents	3,989,571	–	–	–	–	–	3,989,571
Total financial assets	6,067,982	36,894,249	83,155,331	122,988,209	1,048,429	816,405	250,970,605
FINANCIAL LIABILITIES:							
Trade and bills payables	107,565	1,591,948	2,773,915	–	–	–	4,473,428
Financial liabilities included in other payables and accruals	186,563	7,576,787	5,068,373	23,833,984	546,120	–	37,211,827
Lease liabilities	–	69,493	166,882	581,419	1,055,283	–	1,873,077
Interest-bearing bank and other borrowings	–	23,108,359	70,285,780	75,962,655	1,014,648	–	170,371,442
Derivative financial instruments	–	7,885	21,097	155,532	–	–	184,514
Total financial liabilities	294,128	32,354,472	78,316,047	100,533,590	2,616,051	–	214,114,288
Net liquidity gap	5,773,854	4,539,777	4,839,284	22,454,619	(1,567,622)	816,405	36,856,317

NOTES TO FINANCIAL STATEMENTS

31 December 2020

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is defined by management as net debt divided by total equity plus net debt. Net debt includes bank and other borrowings. The gearing ratios as at the reporting dates were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank and other borrowings (Note 31)	**205,216,155**	162,396,266
Total equity	**45,267,133**	41,534,775
Total equity and net debt	**250,483,288**	203,931,041
Gearing ratio	**82%**	80%

NOTES TO FINANCIAL STATEMENTS

31 December 2020

49. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Continuing involvement in transferred assets	**4,064,204**	5,569,255
Payables to non-controlling interests of consolidated structured entities	**222,013**	–
Other	**500**	–
	4,286,717	5,569,255

50. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group enters into securitisation transactions in the normal course of business whereby it transfers loans and accounts receivables to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those loans and accounts receivables and they generally finance the purchase of the loans and accounts receivables by issuing asset-backed securities to investors. The Group assessed and determined that those structured entities need not be consolidated as the Group has no control over them.

The Group may hold some subordinated tranches of those asset-backed securities/notes and accordingly may retain portions of the risks and rewards of the transferred loans and accounts receivables. The Group would determine whether or not to derecognise the transferred loans and accounts receivables mainly by evaluating the extent to which it retains the risks and rewards of the transferred assets.

During the year ended 31 December 2020, the Group did not transfer loans and accounts receivable to third parties, consequently, no such assets were qualified for full derecognition. (2019: RMB2,051,039,000 was fully derecognized. The Group did not provide liquidity support to these unconsolidated structured entities, thus there was no exposure to losses).

The Group also transferred loans and accounts receivables to unconsolidated structured entities, where the Group held some subordinated tranches, and hence, it retained continuing involvement in the transferred assets (i.e. loans and accounts receivables amounting to RMB94,602,291,000 as at 31 December 2020). As a result, as at 31 December 2020, the balance of subordinated tranches of asset-backed securities/notes held by the Group amounted to RMB4,499,118,000 (31 December 2019: RMB5,850,246,000). In addition, the balances of continuing involvement in transferred assets and associated liabilities both amounted to RMB4,499,118,000 (31 December 2019: both RMB5,850,246,000), which approximate the maximum exposure to losses from its involvement in such securitisation arrangements and the unconsolidated structured entities.

During the year ended 31 December 2020, as a result of the securitisation transactions, the Group recognised gains of RMB1,285,000 (2019: gains of RMB11,612,000 and losses of RMB1,840,000) from transfers of loans and accounts receivables.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

51. EVENTS AFTER THE REPORTING PERIOD

On 18 January 2021, all the outstanding US$200,000,000 in aggregate principal amount of zero coupon guaranteed convertible bonds issued by Universe Trek Limited on 4 December 2020 with a due date on 4 December 2025 have been fully converted into ordinary shares of the Company in accordance with the terms and conditions of the zero coupon Bonds. Accordingly, there were no outstanding zero coupon Bonds in issue as at the date of 18 January 2021. Universe Trek Limited and the Company have withdrawn the listing of the zero coupon Bonds from The Stock Exchange of Hong Kong Limited.

52. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2020	31 December 2019
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	7	12
Investments in subsidiaries	54,714,295	41,366,811
Deferred tax assets	110,551	114,258
Loans and accounts receivables	18,839,980	16,927,498
Derivative financial instruments	50,193	819,369
Total non-current assets	73,715,026	59,227,948
CURRENT ASSETS		
Loans and accounts receivables	1,316,705	3,563,189
Prepayments, other receivables and other assets	9,920,864	10,441,893
Dividend receivable from subsidiaries	12,391	13,248
Derivative financial instruments	196,402	229,979
Restricted deposits	223,658	269,322
Cash and cash equivalents	684,832	406,811
Total current assets	12,354,852	14,924,442
CURRENT LIABILITIES		
Other payables and accruals	3,985,904	1,573,321
Derivative financial instruments	193,771	17,497
Income tax payable	(78)	(220)
Interest-bearing bank and other borrowings	18,625,023	14,484,357
Total current liabilities	22,804,620	16,074,955
NET CURRENT LIABILITIES	(10,449,768)	(1,150,513)
TOTAL ASSETS LESS CURRENT LIABILITIES	63,265,258	58,077,435

NOTES TO FINANCIAL STATEMENTS

31 December 2020

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	31 December 2020	31 December 2019
	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	63,265,258	58,077,435
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	25,686,277	25,930,863
Derivative financial instruments	1,399,084	129,792
Total non-current liabilities	27,085,361	26,060,655
Net assets	36,179,897	32,016,780
EQUITY		
Share capital	10,397,104	10,281,212
Reserves (Note 37)	23,742,826	19,693,208
	34,139,930	29,974,420
Holders of perpetual securities	2,039,967	2,042,360
Total equity	36,179,897	32,016,780

Kong Fanxing
Director

Wang Mingzhe
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2020

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve#	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	2,104,975	(673,079)	404,663	2,426	121,913	(392,491)	621,310	15,199,409	17,389,126
Profit for the year	–	–	–	–	–	–	–	4,288,830	4,288,830
Other comprehensive income	–	–	–	–	–	80,535	–	–	80,535
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(9,422)	–	(9,422)
Total comprehensive income for the year	–	–	–	–	–	80,535	(9,422)	4,288,830	4,359,943
Purchase of shares under the share award scheme	–	(774,973)	–	–	–	–	–	–	(774,973)
Final 2018 dividend declared (net of dividends received from shares held for the share award scheme)	–	–	–	–	–	–	–	(1,001,447)	(1,001,447)
Shares vested under restricted share award scheme	–	377,974	(287,915)	–	–	–	–	(90,059)	–
Transfer of share option reserve upon exercise of share options	–	–	(9,399)	–	–	–	–	–	(9,399)
Recognition of equity-settled share-based payments	–	–	299,666	–	–	–	–	–	299,666
Special reserve – safety fund appropriation	–	–	–	5,920	–	–	–	(6,115)	(195)
Purchase of non-controlling interests	(569,513)	–	–	–	–	–	–	–	(569,513)
At 31 December 2019	1,535,462	(1,070,078)	407,015	8,346	121,913	(311,956)	611,888	18,390,618	19,693,208

NOTES TO FINANCIAL STATEMENTS

31 December 2020

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

A summary of the Company's reserves is as follows: (continued)

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	–	1,535,462	(1,070,078)	407,015	8,346	121,913	(311,956)	611,888	18,390,618	19,693,208
Profit for the year	–	–	–	–	–	–	–	–	4,750,245	4,750,245
Other comprehensive income for the year:										
Cash flow hedges, net of tax	–	–	–	–	–	–	57,667	–	–	57,667
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	141,931	–	141,931
Total comprehensive income	–	–	–	–	–	–	57,667	141,931	4,750,245	4,949,843
Final 2019 dividend declared (net of dividends received from shares held for the share award scheme)	–	–	–	–	–	–	–	–	(1,143,486)	(1,143,486)
Shares vested under the restricted share award scheme	–	–	203,131	(166,840)	–	–	–	–	(36,291)	–
Transfer of share option reserve upon exercise of share options	–	–	–	(23,798)	–	–	–	–	–	(23,798)
Recognition of equity-settled share-based payments	–	–	–	162,846	–	–	–	–	–	162,846
Special reserve – safety fund appropriation	–	–	–	–	16,568	–	–	–	(18,063)	(1,495)
Capital injection by non-controlling shareholders	–	4,182	–	–	–	–	–	–	–	4,182
Purchase of non-controlling interests	–	(236,524)	–	–	–	–	–	–	–	(236,524)
Issue of convertible bonds	338,050	–	–	–	–	–	–	–	–	338,050
At 31 December 2020	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,943,023	23,742,826

The reserve of the Company represents the recognition of the equity-settled share-based payments of the Share Options which are yet to be exercised and the Restricted Shares which are yet to be vested. The amount will be transferred to share capital or shares held for the share award scheme when the related Share Options are exercised or Restricted Shares are vested.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2021.

INDEPENDENT AUDITOR'S REPORT

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Quarry Bay, Hong Kong

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To the members of Far East Horizon Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Far East Horizon Limited (the "Company") and its subsidiaries (the "Group") set out on pages 139 to 324, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and accounts receivable	
As at 31 December 2021, the Group's loans and accounts receivable consisted of lease receivables, interest receivables, notes receivable, accounts receivable, factoring receivables, entrusted loans, long-term receivables and secured loans, and accounted for 75.1% of the Group's total assets. The assessment of impairment of such loans and accounts receivable was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management. HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment allowances of financial assets. In measuring the ECLs of loans and accounts receivable under HKFRS 9, management need to apply judgement, make necessary assumptions and select reasonable ECL model methodology in aspects such as determining whether there are significant increases in credit risk, determining the parameters and the forward-looking adjustments. The accounting policies, disclosures of the allowances for impairment of loans and receivables and the related credit risk are included in Note 2.4, Note 3, Note 23 and Note 47 to the consolidated financial statements.	We evaluated and tested the effectiveness of the design and implementation of key controls relating to approval, post approval monitoring, credit grading management, and loan impairment assessment. We adopted a risk-based sampling approach in our tests of the allowances for impairment of loans and receivables. We selected samples of loans considering size, risk factors, industry trends for our tests on the reasonableness of loan grading and measurement of impairment. We evaluated and tested the key parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects: • Assessing the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk; • Assessing the reasonableness of the management's consideration of forward-looking adjustment information when determining expected credit losses, including the use of macroeconomic information and the judgement of adjustments. We also assessed the appropriateness of the Group's disclosures of the allowances for impairment of loans and receivables and the related credit risk in Note 2.4, Note 3, Note 23 and Note 47 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
For the year ended 31 December 2021, the impairment of the Group's goodwill amounted to RMB1,658 million, representing 16.6% of profit before tax. The annual impairment assessment on such goodwill was complex and involved the use of various significant assumptions and estimates in respect of future profitability discount rates, and others. The accounting policies and disclosures of the impairment assessment of goodwill are included in Note 2.4, Note 3 and Note 15 to the consolidated financial statements.	Our audit procedures included, amongst others, assessing and testing the assumptions, methodologies, and data used by the Group in performing the impairment assessment of goodwill. We involved our valuation specialists in performing these procedures. We evaluated the reasonableness of the forecasted future profitability and discount rates used. We also assessed the historical reasonableness of management's forecasts. We also assessed the appropriateness of the Group's disclosures included in Note 2.4, Note 3 and Note 15 to the consolidated financial statements about the key assumptions.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
16 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
Interest income	5	19,168,370	16,521,643
Revenue from operating leases	5	4,463,348	2,484,554
Revenue from contracts with customers	5	10,150,267	10,163,067
Tax and surcharges		(138,062)	(127,463)
Cost of sales	7	(16,431,419)	(14,076,166)
Other income and gains	5	3,302,992	1,979,628
Selling and distribution costs		(2,568,648)	(2,135,955)
Administrative expenses		(5,309,607)	(4,076,227)
Impairment losses on financial and contract assets, net		(1,218,533)	(2,598,922)
Gains/(losses) on derecognition of financial assets			
measured at amortised cost		7,349	(129,292)
Other expenses		(1,158,812)	(347,808)
Finance costs	6	(915,665)	(617,171)
Share of net profits of:			
Associates		451,607	492,457
Share of net profits/(losses) of:			
Joint ventures		210,111	(24,799)
PROFIT BEFORE TAX	7	10,013,298	7,507,546
Income tax expense	10	(3,785,040)	(2,474,559)
PROFIT FOR THE YEAR		6,228,258	5,032,987
Attributable to:			
Ordinary shareholders of the parent		5,512,245	4,575,751
Holders of perpetual securities	38	384,082	455,022
Non-controlling interests		331,931	2,214
		6,228,258	5,032,987
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	RMB	RMB
Basic			
– Earnings per share		1.36	1.20
Diluted			
– Earnings per share		1.25	1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR		6,228,258	5,032,987
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	22	(871,716)	(2,476,186)
Reclassification to the consolidated statement of profit or loss		1,128,891	2,553,261
Income tax effect		(44,857)	(19,408)
		212,318	57,667
Exchange differences on translation of foreign operations		68,700	141,931
Reclassification adjustments for a foreign operation disposed of during the year		14,580	–
		83,280	141,931
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		295,598	199,598
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		295,598	199,598
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,523,856	5,232,585
Attributable to:			
Ordinary shareholders of the parent		5,807,843	4,775,349
Holders of perpetual securities		384,082	455,022
Non-controlling interests		331,931	2,214
		6,523,856	5,232,585

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		31 December 2021	31 December 2020
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	24,530,838	16,871,601
Right-of-use assets	14(a)	1,865,058	2,059,242
Goodwill	15	373,982	2,032,232
Other intangible assets	16	72,228	49,129
Investments in joint ventures	18	2,604,136	2,326,760
Investments in associates	19	5,216,146	4,964,459
Financial assets at fair value through profit or loss	20	9,490,218	6,176,714
Derivative financial instruments	22	21,874	69,202
Loans and accounts receivables	23	118,618,025	106,476,358
Prepayments, other receivables and other assets	24	4,614,212	8,579,835
Deferred tax assets	26	5,394,566	5,142,900
Restricted deposits	27	–	142
Total non-current assets		172,801,283	154,748,574
CURRENT ASSETS			
Inventories	28	559,020	397,381
Loans and accounts receivables	23	133,599,982	122,920,949
Contract assets	25	276,859	110,132
Prepayments, other receivables and other assets	24	4,774,712	2,903,998
Debt investment at fair value through other comprehensive income	21	699,039	108,176
Financial assets at fair value through profit or loss	20	3,270,140	3,165,851
Derivative financial instruments	22	457	219,765
Restricted deposits	27	4,239,760	3,474,727
Cash and cash equivalents	27	15,659,036	11,877,235
Total current assets		163,079,005	145,178,214
CURRENT LIABILITIES			
Trade and bills payables	29	13,890,322	7,880,410
Other payables and accruals	30	16,795,266	15,223,636
Derivative financial instruments	22	1,077,111	297,441
Interest-bearing bank and other borrowings	31	122,694,483	103,931,451
Lease liabilities	14(b)	163,638	237,544
Income tax payable		2,172,065	1,764,699
Total current liabilities		156,792,885	129,335,181
NET CURRENT ASSETS		6,286,120	15,843,033
TOTAL ASSETS LESS CURRENT LIABILITIES		179,087,403	170,591,607

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		179,087,403	170,591,607
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	32	3,321,086	2,924,074
Interest-bearing bank and other borrowings	31	104,185,173	98,360,630
Lease liabilities	14(b)	443,377	583,048
Derivative financial instruments	22	1,291,753	1,557,724
Deferred tax liabilities	26	386,850	244,077
Other payables and accruals	30	9,960,457	16,304,185
Deferred revenue	33	1,465,194	1,064,019
Other non-current liabilities	48	4,979,403	4,286,717
Total non-current liabilities		126,033,293	125,324,474
Net assets		53,054,110	45,267,133
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	34	13,042,863	10,397,104
Equity component of convertible bonds	32	233,750	338,050
Reserves	37	28,245,937	23,384,298
		41,522,550	34,119,452
Holders of perpetual securities	38	7,514,376	8,478,063
Non-controlling interests		4,017,184	2,669,618
Total equity		53,054,110	45,267,133

Kong Fanxing
Director

Wang Mingzhe
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to ordinary shareholders of the parent													
	Share capital	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 34)	(Note 32)	(Note 37)	(Note 36)		Note 37)	(Note 37)					(Note 38)		
At 1 January 2020	10,281,212	–	1,535,462	(1,070,078)	407,015	8,346	121,913	(311,956)	611,888	18,544,634	30,128,436	9,860,211	1,546,128	41,534,775
Profit for the year	–	–	–	–	–	–	–	–	–	4,575,751	4,575,751	455,022	2,214	5,032,987
Other comprehensive income for the year:														
Cash flow hedges, net of tax	–	–	–	–	–	–	–	57,667	–	–	57,667	–	–	57,667
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	141,931	–	141,931	–	–	141,931
Total comprehensive income	–	–	–	–	–	–	–	57,667	141,931	4,575,751	4,775,349	455,022	2,214	5,232,585
Final 2019 dividend declared (net of dividends received from shares held for the share award scheme)	–	–	–	–	–	–	–	–	–	(1,143,486)	(1,143,486)	–	–	(1,143,486)
Distribution paid to holders of perpetual securities	–	–	–	–	–	–	–	–	–	–	–	(499,070)	–	(499,070)
Shares vested under the restricted share award scheme	–	–	–	203,131	(166,840)	–	–	–	–	(36,291)	–	–	–	–
Transfer of share option reserve upon exercise of share options	115,892	–	–	–	(23,798)	–	–	–	–	–	92,094	–	–	92,094
Recognition of equity-settled share-based payments	–	–	–	–	162,846	–	–	–	–	–	162,846	–	–	162,846
Special reserve – safety fund appropriation	–	–	–	–	–	16,568	–	–	–	(18,063)	(1,495)	–	1,495	–
Capital injection by non-controlling shareholders	–	–	4,182	–	–	–	–	–	–	–	4,182	–	1,117,966	1,122,148
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(20,798)	(20,798)
Purchase of non-controlling interests	–	–	(236,524)	–	–	–	–	–	–	–	(236,524)	–	(140,491)	(377,015)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	210,871	210,871
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(47,767)	(47,767)
Issue of perpetual securities (Note 38)	–	–	–	–	–	–	–	–	–	–	–	3,661,900	–	3,661,900
Redemption of perpetual securities (Note 38)	–	–	–	–	–	–	–	–	–	–	–	(5,000,000)	–	(5,000,000)
Issue of convertible bonds (Note 32)	–	338,050	–	–	–	–	–	–	–	–	338,050	–	–	338,050
At 31 December 2020	10,397,104	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,922,545	34,119,452	8,478,063	2,669,618	45,267,133

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to ordinary shareholders of the parent													
	Share capital	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 34)	(Note 32)	(Note 37)	(Note 36)		(Note 37)	(Note 37)					(Note 38)		
At 1 January 2021	10,397,104	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,922,545	34,119,452	8,478,063	2,669,618	45,267,133
Profit for the year	-	-	-	-	-	-	-	-	-	5,512,245	5,512,245	384,082	331,931	6,228,258
Other comprehensive income for the year:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	212,318	-	-	212,318	-	-	212,318
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	83,280	-	83,280	-	-	83,280
Total comprehensive income	-	-	-	-	-	-	-	212,318	83,280	5,512,245	5,807,843	384,082	331,931	6,523,856
Final 2020 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	-	(1,205,585)	(1,205,585)	-	-	(1,205,585)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(377,769)	-	(377,769)
Shares vested under restricted share award scheme	-	-	-	135,391	(118,503)	-	-	-	-	(16,888)	-	-	-	-
Transfer of share option reserve upon exercise of share options	69,090	-	-	-	(14,314)	-	-	-	-	-	54,776	-	-	54,776
Recognition of equity-settled share-based payments	-	-	-	-	99,761	-	-	-	-	-	99,761	-	-	99,761
Special reserve – safety fund appropriation	-	-	-	-	-	21,259	-	-	-	(26,261)	(5,002)	-	5,002	-
Capital injection by non-controlling shareholders	-	-	488,434	-	-	-	-	-	-	-	488,434	-	1,978,050	2,466,484
Disposal of subsidiaries (Note 39)	-	-	84,262	-	-	-	-	-	-	(84,262)	-	-	63,247	63,247
Purchase of non-controlling interests	-	-	138,564	-	-	-	-	-	-	-	138,564	-	(25,445)	113,119
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(90,310)	(90,310)
Redemption of perpetual securities (Note 38)	-	-	-	-	-	-	-	-	-	-	-	(970,000)	-	(970,000)
Issue of convertible bonds (Note 32)	-	138,925	-	-	-	-	-	-	-	-	138,925	-	-	138,925
Issue of shares upon conversion of convertible bonds (Note 34)	2,576,669	(243,225)	-	-	-	-	-	-	-	-	2,333,444	-	-	2,333,444
Put option granted to non-controlling Shareholders (Note 48)	-	-	(448,062)	-	-	-	-	-	-	-	(448,062)	-	(914,909)	(1,362,971)
At 31 December 2021	13,042,863	233,750	1,566,318 *	(731,556) *	346,167 *	46,173 *	121,913 *	(41,971) *	837,099 *	26,101,794 *	41,522,550	7,514,376	4,017,184	53,054,110

* These reserve accounts comprise the consolidated reserves of RMB28,245,937,000 (31 December 2020: RMB23,384,298,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,013,298	7,507,546
Adjustments for:			
Finance costs		9,815,523	8,630,202
Bank interest income	5	(189,873)	(166,067)
Share of net profits of associates		(451,607)	(492,457)
Share of net (profits)/losses of joint ventures		(210,111)	24,799
Gains on unlisted debt investments, at fair value	5	(90,218)	(111,511)
Gains on disposal of property, plant and equipment, net		(77,904)	(25,699)
Gains on disposal of subsidiaries	5	(128,649)	(36,135)
Gains on disposal of a joint venture	5	(41,341)	(600)
Gains on disposal of part of the equity of an associate	5	(117,138)	(1,807)
Depreciation of property, plant and equipment	13	2,126,751	1,561,746
Depreciation of right-of-use assets	14	150,520	251,414
Impairment of loans and accounts receivables	7	1,163,272	2,543,266
Impairment of property, plant and equipment	7	12,834	672,410
Impairment of inventories	7	29	18,422
Impairment of prepayments, other receivables and other assets		32,729	138,448
Impairment of right-of-use assets	7	42,641	89,860
Impairment of credit commitments	7	22,532	(5,990)
Impairment of investments in joint ventures	7	90,270	10,416
Impairment of goodwill	7	1,658,164	274,560
Interest expense on lease liabilities	14	37,229	56,610
Amortisation of intangible assets and other assets	7	24,988	41,821
Equity-settled share-based payment expense	7	99,761	162,846
Foreign exchange loss/(gain), net	7	8,210	(41,787)
Realised gains on derecognition of financial assets at fair value through profit or loss		(71,695)	(30)
Fair value losses from financial liabilities at fair value through profit or loss		552,603	–
Fair value gains from financial assets at fair value through profit or loss		(464,819)	(65,405)
Dividends from financial assets at fair value through profit or loss	5	(54,409)	(38,857)
		23,953,590	20,998,021

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Increase in inventories		**(162,346)**	(8,235)
Increase in loans and accounts receivables		**(27,038,449)**	(31,033,398)
Increase in contract assets		**(166,727)**	(87,486)
Decrease in prepayments, other receivables and other assets		**636,321**	1,277,837
(Increase)/Decrease in restricted cash related to asset-backed securitisations, collective fund trusts and litigation		**(83,689)**	3,040,137
Increase in trade and bills payables		**5,947,184**	3,413,688
Decrease in other payables and accruals		**(5,185,155)**	(11,194,639)
Increase in other liabilities		**401,175**	9,713
Net cash flows used in operating activities before tax and interest		**(1,698,096)**	(13,584,362)
Interest paid		**(9,826,497)**	(8,060,428)
Bank interest received		**189,873**	166,067
Income tax paid		**(3,532,820)**	(2,983,629)
Net cash flows used in operating activities		**(14,867,540)**	(24,462,352)
CASH FLOWS FROM INVESTING ACTIVITIES			
Gains on unlisted debt investments, at fair value	5	**90,218**	111,511
Proceeds from disposal of property, plant and equipment		**463,079**	853,637
Acquisition of subsidiaries		**–**	(200,287)
Purchase of items of property, plant and equipment, intangible assets and other long term assets		**(10,458,527)**	(7,173,044)
Purchase of shareholdings for joint ventures		**(339,192)**	(232,205)
Purchase of shareholdings for associates		**(153,239)**	(148,953)
Dividend received from joint ventures		**104,028**	25,531
Dividend received from associates		**198,955**	188,222
Proceeds from disposal of a joint venture		**118,814**	75,677
Proceeds from disposal of part of the equity of an associate		**271,341**	481,050
Purchase of financial assets at fair value through profit or loss		**(3,360,018)**	(5,857,789)
Disposal of subsidiaries		**(8,069)**	252,771
Disposal of financial assets at fair value through profit or loss		**3,227,490**	1,068,999
Net cash flows used in investing activities		**(9,845,120)**	(10,554,880)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows used in investing activities		**(9,845,120)**	(10,554,880)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received upon exercise of share options		**54,776**	92,094
Capital injection from non-controlling shareholders		**3,145,745**	1,297,530
Purchase of non-controlling interests		**(41,736)**	(211,571)
Cash received from borrowings		**184,649,204**	162,505,917
Repayments of borrowings		**(158,592,043)**	(120,061,686)
Principal portion of lease payments		**(186,395)**	(962,182)
Dividends paid		**(1,205,585)**	(1,143,486)
Increase in pledged deposits		**(681,202)**	(548,345)
Realised fair value (losses)/gains from derivative financial instruments in hedges for borrowings		**(113,017)**	475,907
Distribution paid to holders of perpetual securities	38	**(377,769)**	(499,070)
Dividends paid to non-controlling shareholders		**(74,846)**	(46,896)
Issue of perpetual securities		**–**	3,661,900
Redemption of perpetual securities		**(970,000)**	(5,000,000)
Issue of convertible bonds		**2,908,605**	3,382,700
Net cash flows from financing activities		**28,515,737**	42,942,812
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,803,077**	7,925,580
Cash and cash equivalents at beginning of year		**11,877,235**	3,989,571
Effect of exchange rate changes on cash and cash equivalents		**(21,276)**	(37,916)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**15,659,036**	11,877,235

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

Far East Horizon Limited (the "Company") is a limited liability company which was incorporated in Hong Kong on 15 May 2008. Pursuant to the special resolutions dated 15 October 2008 and 29 November 2010, respectively, the Company changed its name from Fully Ascent Limited to Far Eastern Hong Xin Co., Limited and then to Far East Horizon Limited. The registered office address of the Company is Unit 6608, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon.

The Group is principally engaged in the provision of finance to its customers by a wide array of assets under finance lease arrangements, operating lease arrangements, entrusted loan arrangements, factoring, the provision of advisory services, equipment operation business, industrial operation business and other services as approved by the Ministry of Commerce (the "MOFCOM") of the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Through a group reorganisation (the "Reorganisation") as set out in the section headed "Our History and Reorganisation" in the Prospectus dated 18 March 2011 for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies comprising the Group on 13 March 2009. The Company was listed on the Stock Exchange on 30 March 2011.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary shareholders of the parent of the Group, the non-controlling interests and holders of perpetual securities even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group also had an interest rate swap whereby the Group pays interest at a fixed rate of 0.4530% and receives interest at a variable rate based on LIBOR on the notional amount. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 47 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at the end of each reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its debt investments, equity investments and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary of fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Annual depreciation rate
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Buildings	1.90-25.00%
Equipment, tools and moulds	5.00-33.33%
Office equipment and computers	9.00-33.33%
Motor vehicles	9.00-32.33%
Vessels	3.20-10.53%
Others	20.00-50.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Buildings	1 to 25 years
Equipment	5 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

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 the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are required and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instrument.

Perpetual securities

Perpetual securities issued by the Group contain no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. The Group classifies such perpetual securities issued as an equity instrument. Fees, commissions and other transaction costs of such perpetual securities issuance are deducted from equity. The distributions on perpetual securities are recognised as profit distribution at the time of declaration.

Inventories

Inventories are goods valued at the lower of cost and net realisable value at the end of the reporting period. The cost of inventories issued is determined on the weighted – average basis and specific identification basis. The difference between the cost and the lower net realisable value is stated as a provision. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks (including term deposits with original maturity of less than three months), and assets similar in nature to cash, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Provision of services

Revenue from the provision of services is recognised over the scheduled period on a straight-line basis or at a point in time.

Revenue from other sources

Operating lease income

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance lease, factoring and loan interest income

Finance lease, factoring and loan interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Other income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme and a restricted share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using appropriate valuation models, further details of which are given in Note 35 and Note 36 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year's basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions even if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Contributions to these plans are recognised in the statement of profit or loss as incurred. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries whose functional currency is other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries with a functional currency other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in asset and liability recognition by the lessee, with the asset remaining recognised by the lessor).

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if the title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- and the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Significant judgement in determining the lease term of contracts with renewal options (continued)

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill at 31 December 2021 was RMB373,982,000 (31 December 2020: RMB2,032,232,000). Further details are given in Note 15.

Impairment of financial instruments

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, and credit commitments requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) The Group's internal credit grading model, which assigns the probability of defaults (PDs) to the individual grades

(ii) The Group's criteria for assessing whether there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment

(iii) Development of ECL models, including the various formulas and the choice of inputs

(iv) Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, the exposure of defaults (EADs) and the loss given defaults (LGDs)

The Group will regularly review the expected credit loss model in the context of the actual loss experience and adjust it when necessary.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets and liabilities

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Valuation techniques make use of observable market information to the greatest extent, however, when the observable market information cannot be obtained, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of an appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including volatility, the expected exercise behaviour and dividend yield, etc, and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 35 and Note 36.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments, namely the financial, lease and advisory business and the industrial operation and management business, based on the internal organisational structure, management requirement and the internal reporting system:

- The financial, lease and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; (e) operating leases and (f) advisory services.

- The industrial operation and management business comprises primarily (a) import and export trade and domestic trade of medical equipment, as well as the provision of trade agency services primarily within the machinery industry; (b) the ship brokerage services; (c) medical engineering; (d) hospital and healthcare management and (e) education consulting and management.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenue, results and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2021

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	28,426,363	5,217,560	–	33,643,923
Intersegment sales	212,696	45,075	(257,771)	–
Cost of sales	(12,161,826)	(4,269,593)	–	(16,431,419)
Other income and gains	2,672,815	648,503	(18,326)	3,302,992
Selling and distribution costs and administrative expenses	(5,517,023)	(2,419,512)	58,280	(7,878,255)
Other expenses	(1,068,301)	(90,511)	–	(1,158,812)
Finance costs	(862,568)	(270,914)	217,817	(915,665)
Impairment losses on financial and contract assets	(1,154,195)	(64,338)	–	(1,218,533)
Gains on disposal of financial assets measured at amortised cost	7,349	–	–	7,349
Share of profits of associates	449,355	2,252	–	451,607
Share of profits of joint ventures	28,934	181,177	–	210,111
Profit before tax	11,033,599	(1,020,301)	–	10,013,298
Income tax expense	(3,722,392)	(62,648)	–	(3,785,040)
Profit after tax	7,311,207	(1,082,949)	–	6,228,258
Segment assets	333,128,048	17,064,363	(14,312,123)	335,880,288
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,144,037	1,878,434	–	3,022,471
Depreciation and amortisation	1,856,502	445,756	–	2,302,258
Capital expenditure	10,162,266	788,692	–	10,950,958

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2020

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	24,244,818	4,796,983	–	29,041,801
Intersegment sales	250,416	59,617	(310,033)	–
Cost of sales	(10,106,625)	(3,978,614)	9,073	(14,076,166)
Other income and gains	1,591,966	399,381	(11,719)	1,979,628
Selling and distribution costs and administrative expenses	(4,702,882)	(1,570,733)	61,433	(6,212,182)
Other expenses	(204,566)	(143,242)	–	(347,808)
Finance costs	(547,066)	(321,351)	251,246	(617,171)
Impairment losses on financial and contract assets	(2,378,935)	(219,987)	–	(2,598,922)
Losses on disposal of financial assets measured at amortised cost	(129,292)	–	–	(129,292)
Share of profits of associates	385,515	106,942	–	492,457
Share of losses of joint ventures	(12,633)	(12,166)	–	(24,799)
Profit before tax	8,390,716	(883,170)	–	7,507,546
Income tax expense	(2,404,475)	(70,084)	–	(2,474,559)
Profit after tax	5,986,241	(953,254)	–	5,032,987
Segment assets	293,787,662	20,991,692	(14,852,566)	299,926,788
Other segment information:				
Impairment losses recognised in the statement of profit or loss	2,495,478	1,245,914	–	3,741,392
Depreciation and amortisation	1,260,039	594,942	–	1,854,981
Capital expenditure	5,788,295	1,966,195	–	7,754,490

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) **Revenue from external customers**

	2021	2020
	RMB'000	RMB'000
Mainland China	33,240,927	28,686,665
Hong Kong	208,587	38,368
Other locations	194,409	316,768
	33,643,923	29,041,801

The revenue information above is based on the locations of the customers.

(b) **Non-current assets**

	2021	2020
	RMB'000	RMB'000
Mainland China	36,087,982	31,487,806
Hong Kong	809,833	950,688
	36,897,815	32,438,494

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

There was no single customer from whom the revenue derived amounted to 10% or more of the total revenue of the Group during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

		2021	2020
	Note	RMB'000	RMB'000
Interest Income			
Interest income from finance leases, factoring and loans		**18,826,817**	16,509,787
Interest income from financial assets at fair value through profit or loss		**341,553**	11,856
Revenue from operating leases		**4,463,348**	2,484,554
Revenue from contracts with customers	(i)	**10,150,267**	10,163,067
Taxes and surcharges		**(138,062)**	(127,463)
		33,643,923	29,041,801

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) **Disaggregated revenue information**

For the year ended 31 December 2021

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	74,163	528,209	602,372
Construction services	1,519,288	–	1,519,288
Service fee income	3,178,894	–	3,178,894
Healthcare service income	–	3,928,718	3,928,718
Education service income	–	263,348	263,348
Chartering and brokerage income	–	273,491	273,491
Other income	156,986	227,170	384,156
Total revenue from contracts with customers	4,929,331	5,220,936	10,150,267
Geographical markets			
Hong Kong	29,168	92,989	122,157
Mainland China	4,897,695	4,936,006	9,833,701
Other locations	2,468	191,941	194,409
Total revenue from contracts with customers	4,929,331	5,220,936	10,150,267
Timing of revenue recognition			
Goods or services transferred at a point in time	2,495,877	2,198,639	4,694,516
Services transferred over time	2,433,454	3,022,297	5,455,751
Total revenue from contracts with customers	4,929,331	5,220,936	10,150,267

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) **Disaggregated revenue information** (continued)

For the year ended 31 December 2020

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of goods	81,143	541,685	622,828
Construction services	1,062,760	–	1,062,760
Service fee income	3,836,492	–	3,836,492
Healthcare service income	–	3,359,729	3,359,729
Education service income	–	227,573	227,573
Chartering and brokerage income	–	372,910	372,910
Other income	363,382	317,393	680,775
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067
Geographical markets			
Hong Kong	17,793	20,575	38,368
Mainland China	5,325,984	4,481,947	9,807,931
Other locations	–	316,768	316,768
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067
Timing of revenue recognition			
Goods or services transferred at a point in time	3,304,346	2,048,008	5,352,354
Services transferred over time	2,039,431	2,771,282	4,810,713
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) **Disaggregated revenue information** (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2021

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	**4,929,331**	**5,220,936**	**10,150,267**
Intersegment sales	**12,361**	**45,075**	**57,436**
Intersegment adjustments and eliminations	**(12,361)**	**(45,075)**	**(57,436)**
Total revenue from contracts with customers	**4,929,331**	**5,220,936**	**10,150,267**

For the year ended 31 December 2020

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	5,343,777	4,819,290	10,163,067
Intersegment sales	5,999	58,516	64,515
Intersegment adjustments and eliminations	(5,999)	(58,516)	(64,515)
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067

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5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) **Disaggregated revenue information** (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	510,644	439,232
Sale of goods	23,662	–
	534,306	439,232

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 180 days from delivery.

Construction services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

NOTES TO FINANCIAL STATEMENTS

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5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) **Performance obligations** (continued)

Services

The performance obligation is satisfied over time or at a point in time as services are rendered and short-term advances are normally required before rendering the services. Most service contracts are for periods of one year or less, or are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021	2020
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	417,702	534,306
After one year	664,917	362,279
	1,082,619	896,585

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to service fee, of which the performance obligations are to be satisfied within 2 to 28 years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

		2021	2020
	Notes	RMB'000	RMB'000
Other income and gains			
Bank interest income		189,873	166,067
Gains on unlisted debt investments, at fair value		90,218	111,511
Gains on disposal of property, plant, and equipment		81,844	57,483
Government grants	5a	280,558	73,759
Fair value gains from financial assets at fair value through profit or loss		906,426	283,804
Interest income from continuing involvement in transferred assets		1,187,357	1,104,605
Dividends of financial assets at fair value through profit or loss		54,409	38,857
Realised gains on financial assets at fair value through profit or loss		158,306	22,353
Gains on disposal of subsidiaries		128,649	36,135
Gains on disposal of a joint venture		41,341	600
Gains on disposal of part of the equity of an associate		117,138	1,807
Foreign exchange gains, net:			
Cash flow hedges (transfer from equity to offset foreign exchange)		–	(2,488,036)
Foreign exchange gains		–	2,529,823
		–	41,787
Others		66,873	40,860
		3,302,992	1,979,628

5a. Government grants

	2021	2020
	RMB'000	RMB'000
Government special subsidies	280,558	73,759

NOTES TO FINANCIAL STATEMENTS

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6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	RMB'000
Interest on bank loans, overdrafts and other loans for the industrial operation business	878,902	560,684
Interest on lease liabilities	37,229	56,610
Total interest expense on financial liabilities not at fair value through profit or loss	916,131	617,294
Less: Interest capitalised	(466)	(123)
	915,665	617,171

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021	2020
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	8,937,086	8,069,641
Cost of inventories sold	514,758	539,321
Cost of construction services	1,076,646	756,813
Cost of operating leases	2,091,079	1,185,393
Cost of chartering	164,865	218,211
Cost of healthcare services	3,194,195	2,747,195
Cost of education services	213,698	227,023
Cost of others	239,092	332,569
Depreciation of property, plant and equipment	272,897	254,823
Less: Government grants released*	(1,527)	(1,145)
	271,370	253,678

NOTES TO FINANCIAL STATEMENTS

31 December 2021

7. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	2021	2020
	RMB'000	RMB'000
Depreciation of right-of-use assets	107,548	146,773
Amortisation of intangible assets and other assets	24,988	41,821
Auditors' remuneration – audit services	11,700	8,300
– other services	6,710	5,814
Employee benefit expense (including directors' remuneration (Note 8))		
– Wages and salaries		
Current year expenditure	4,138,986	3,711,139
Less: Government grants released*	(464,152)	(648,340)
	3,674,834	3,062,799
– Equity-settled share-based payment expense	99,761	162,846
– Pension scheme contributions	151,843	47,090
– Other employee benefits	270,909	211,778
	4,197,347	3,484,513

NOTES TO FINANCIAL STATEMENTS

31 December 2021

7. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	2021	2020
	RMB'000	RMB'000
Impairment of investments in joint ventures	90,270	10,416
Impairment of goodwill (Note 15)	1,658,164	274,560
Impairment of loans and accounts receivables (Note 23)	1,163,272	2,543,266
Impairment of financial assets included in		
prepayments, other receivables and other assets	32,729	61,646
Impairment of credit commitments	22,532	(5,990)
Impairment of inventories	29	18,422
Impairment of property, plant and equipment (Note 13)	12,834	672,410
Impairment of right-of-use assets (Note 14(a))	42,641	89,860
Impairment of other assets	–	76,802
Lease payments not included in the measurement of lease liabilities	4,218	3,829
Entertainment expenses	77,281	108,508
Business travelling expenses	266,804	200,005
Consultancy fees	184,670	231,400
Office expenses	90,309	70,106
Advertising and promotional expenses	24,694	38,663
Transportation expenses	84,435	60,718
Communication expenses	31,130	26,896
Litigation expenses	45,153	28,969
Other miscellaneous expenses:		
Current year expenditure	664,022	375,436
Less: Government grants released*	(18,062)	(15,717)
	645,960	359,719

NOTES TO FINANCIAL STATEMENTS

31 December 2021

7. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	2021	2020
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	3,940	31,784
Donation	1,092	5,904
Bank commission expenses	91,500	43,935
Foreign exchange losses, net:		
Cash flow hedges (transfer from equity to offset foreign exchange)	1,018,891	2,488,036
Foreign exchange gains	(1,010,681)	(2,529,823)
	8,210	(41,787)
Fair value losses from financial assets at fair value through profit or loss	434,700	218,399
Other expenditure	66,767	47,786
(Gains)/losses on derecognition of loans and accounts receivables measured at amortised cost**	(7,349)	129,292
Fair value losses from financial liabilities at fair value through profit or loss***	552,603	–
Bank interest income	189,873	166,067
Interest income from continuing involvement in transferred assets	1,187,357	1,104,605
Fair value gains from financial assets at fair value through profit or loss	906,426	283,804

* Government grants have been received by subsidiaries of the Company from the local government for improvement of technology, staff training and development, and others. The government grants received have been deducted from the expenses to which they related. Government grants received for which related expenditure has yet been undertaken are included in deferred revenue in the statement of financial position (Note 33).

** The amounts mainly include losses from derecognition of certain loans and accounts receivables when there is an increase in their credit risk.

*** The fair value losses from a financial liability at fair value through profit or loss are accounted for the fair value change linked to the investments by Limited Partners other than the Group in several Investment Limited Partnerships that are classified as financial liabilities in the consolidated financial statements of the Group.

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021	2020
	RMB'000	RMB'000
Fees	2,439	2,555
Other emoluments:		
Salaries, allowances and benefits in kind	7,393	7,364
Performance related bonuses*	4,300	4,300
Pension scheme contributions	113	82
	11,806	11,746
	14,245	14,301

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of the Group.

During 2021, certain directors were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 35 and Note 36 to the financial statements, respectively.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021	2020
	RMB'000	RMB'000
Mr. Cai Cunqiang	348	365
Mr. Han Xiaojing	348	365
Mr. Liu Jialing	348	365
Mr. Yip Wai Ming	348	365
	1,392	1,460

NOTES TO FINANCIAL STATEMENTS

31 December 2021

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Non-executive directors

The fees paid to non-executive directors during the year were as follows:

	2021	2020
	RMB'000	RMB'000
Mr. Liu Haifeng	348	365
Mr. Luo Qiang	348	365
Mr. Kuo Mingjian	348	365
	1,044	1,095

(c) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021					
Executive directors:					
Mr. Kong Fanxing	–	4,664	2,500	57	7,221
Mr. Wang Mingzhe	–	2,728	1,800	57	4,585
	–	7,392	4,300	114	11,806

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020					
Executive directors:					
Mr. Kong Fanxing	–	4,650	2,500	41	7,191
Mr. Wang Mingzhe	–	2,714	1,800	41	4,555
	–	7,364	4,300	82	11,746

NOTES TO FINANCIAL STATEMENTS

31 December 2021

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

	Number of employees	
	2021	2020
Directors	**2**	2
Non-directors	**3**	3
	5	5

The five highest paid employees during the year included two (2020: two) directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining three (2020: three) non-director, highest paid employees for the year are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**7,342**	7,312
Performance related bonuses	**3,900**	3,900
Pension scheme contributions	**114**	81
	11,356	11,293

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
HK$3,500,001 to HK$4,000,000 (Equivalent to RMB2,903,601 to RMB3,318,400)	**1**	1
HK$4,000,001 to HK$4,500,000 (Equivalent to RMB3,318,401 to RMB3,733,200)	**1**	1
HK$4,500,001 to HK$5,000,000 (Equivalent to RMB3,733,201 to RMB4,148,000)	**–**	–
HK$5,000,001 to HK$5,500,000 (Equivalent to RMB4,148,001 to RMB4,562,800)	**1**	1
	3	3

During the year ended 31 December 2021, certain highest paid employees were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 35 and Note 36 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The Group has adopted collective economic-gain bonus schemes (the "Schemes") since 2014. According to the Schemes, the Group paid a portion of employee bonus to separate funds (the "Employees' Collectively Owned Funds"). The Employees' Collectively Owned Funds are collectively owned by employees participating in the Scheme until distributed to individual employees. A committee (the "Committee"), elected by the general meeting of employee representatives, is established to be in charge of the management and operation of the Schemes and the determination and distribution of the Employees' Collectively Owned Funds to all individual participating employees. In the view of the directors, the Employees' Collectively Owned Funds are not the property of the Company or any of its subsidiaries, and the Group has no rights and obligations in respect of the management and operation of the Employees' Collectively Owned Funds. During the year ended 31 December 2021, the above information of the five highest paid employees has not taken into consideration the employees' potential entitlement under the Schemes.

10. INCOME TAX

	2021	2020
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the year	102,697	74,019
Current – Mainland China		
Charge for the year	3,836,178	3,417,507
Deferred tax (Note 26)	(153,835)	(1,016,967)
Total tax charge for the year	3,785,040	2,474,559

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the tax rate of 25% (2020: 25%) on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

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31 December 2021

10. INCOME TAX (continued)

Corporate Income Tax ("CIT") (continued)

The State Administration of Taxation has announced that enterprises of encouraged industries in the Western Region of the PRC can enjoy a preferential tax rate of 15% from 1 January 2011 to 31 December 2030. Deyang The Fifth Hospital Co., Ltd., Chongqing Yudong Hospital Co., Ltd., Nayong Xinli Hospital Co., Ltd. and Chengdu Jinsha Hospital Co., Ltd. were recognised to fulfill the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2016. Zhaotong Renan Hospital Co., Ltd. and Qiaojia Renan Hospital Co., Ltd. were recognised to fulfill the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2017. Qinghai Kangle Hospital Company Ltd. and Renshou Yunchang Hospital Company Limited were recognised to fulfill the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2020.

On 30 October 2015, Shanghai Horizon Equipment & Engineering Co., Ltd. was recognised as a high-technology enterprise by the Shanghai Science and Technology Commission. Since then, Shanghai Horizon Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%. Guangzhou Wealth Healthy Electronics Co., Ltd. was recognised as a high-technology enterprise in 2017. Since then, Guangzhou Wealth Healthy Electronics Co., Ltd. has enjoyed a preferential tax rate of 15%. Guangzhou Hongtu Equipment & Engineering Co., Ltd. was recognised as a high-technology enterprise in 2020. Since then, Guangzhou Hongtu Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%.

A reconciliation of the tax charge applicable to profit before tax using the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2021	2020
	RMB'000	RMB'000
Profit before tax	10,013,298	7,507,546
Tax at the statutory income tax rates	2,827,068	2,147,858
Expenses not deductible for tax	779,682	256,128
Income not subject to tax	(175,910)	(211,087)
Adjustment on current income tax in respect of prior years	36,382	(76,217)
Utilisation of previously unrecognised tax losses	(20,651)	(32,761)
Unrecognised tax losses	217,627	291,834
Effect of recognition of deductible temporary differences that were not recognised in prior years	9,943	(4,366)
Effect of withholding tax on interest on intra-group balances	110,899	103,170
Income tax expense as reported in the consolidated statement of profit or loss	3,785,040	2,474,559

The share of tax attributable to associates and joint ventures amounting to approximately RMB150,536,000 (31 December 2020: RMB126,535,000) and RMB22,564,000 (31 December 2020: a credit amount of RMB13,887,000), respectively, is included in "Share of net profits of: Associates" and "Share of net Profits/(losses) of: Joint ventures" in the consolidated statement of profit or loss.

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11. DIVIDENDS

	2021	2020
	RMB'000	RMB'000
Proposed final dividend – HK$0.42 (2020: HK$0.36) per ordinary share	1,441,623	1,163,788

A final dividend for the year of 2021 of HK$0.42 per share was proposed at the meeting of the board of directors (the "Board") held on 16 March 2022. As at 31 December 2021, based on the total number of outstanding ordinary shares of 4,198,183,868 (2020: 3,841,006,923) (excluding the 115,803,918 (2020: 136,648,367) shares held for the share award scheme (Note 36), the proposed final dividend amounted to approximately HK$1,763,237,000 (2020: HK$1,382,762,000) (equivalent to RMB1,441,623,000 (2020: RMB1,163,788,000)). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the year is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,051,798,363 (2020: 3,813,054,365) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the host debt component of convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

NOTES TO FINANCIAL STATEMENTS

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12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share are based on:

Earnings

	2021	2020
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	5,512,245	4,575,751
Interest on the host debt component of convertible bonds	118,442	42,993
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	5,630,687	4,618,744

Shares

	Number of shares	
	2021	2020
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	4,051,798,363	3,813,054,365
Effect of dilution – weighted average number of ordinary shares:		
Share options	10,464,222	4,202,560
Convertible bonds	460,026,172	155,829,619
Weighted average number of ordinary shares for diluted earnings per share	4,522,288,757	3,973,086,544

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13. PROPERTY, PLANT AND EQUIPMENT

31 December 2021

	Leasehold improvements	Buildings	Equipment, tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021:									
Cost	650,852	4,833,966	14,110,191	465,667	143,209	509,415	1,679,840	424,943	22,818,083
Accumulated depreciation and impairment	(476,577)	(721,549)	(3,427,504)	(284,589)	(70,744)	–	(729,159)	(236,360)	(5,946,482)
Net carrying amount	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601
At 1 January 2021, net of accumulated depreciation and impairment	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601
Additions	171,883	33,042	9,629,137	75,635	31,682	448,269	–	21,519	10,411,167
Transfer from right-of-use assets (Note 14)	–	–	19,125	–	–	–	–	–	19,125
Depreciation provided during the year	(132,912)	(174,970)	(1,609,866)	(67,817)	(23,853)	–	(32,336)	(84,997)	(2,126,751)
Disposal of subsidiaries (Note 39)	(47,358)	(53,510)	(21,609)	(14,496)	(186)	(621)	–	–	(137,780)
Transfers	–	675,953	44,546	1,817	–	(722,316)	–	–	–
Disposals	(49)	(336)	(325,651)	(16,943)	(5,343)	(36,853)	–	–	(385,175)
Exchange realignment	–	–	–	–	–	–	(108,515)	–	(108,515)
Impairment	(3,793)	–	(9,041)	–	–	–	–	–	(12,834)
At 31 December 2021, net of Accumulated depreciation and impairment	162,046	4,592,596	18,409,328	159,274	74,765	197,894	809,830	125,105	24,530,838
At 31 December 2021:									
Cost	733,021	5,487,030	23,134,796	471,466	162,263	197,894	1,494,290	446,463	32,127,223
Accumulated depreciation and impairment	(570,975)	(894,434)	(4,725,468)	(312,192)	(87,498)	–	(684,460)	(321,358)	(7,596,385)
Net carrying amount	162,046	4,592,596	18,409,328	159,274	74,765	197,894	809,830	125,105	24,530,838

As at 31 December 2021, the Group has not obtained the property ownership certificates for six buildings (31 December 2020: five) with a net book value of RMB737,197,000 (31 December 2020: RMB569,052,000).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2021.

As at 31 December 2021, property, plant and equipment with a net carrying amount of RMB6,413,799,000 (31 December 2020: RMB2,551,259,000) were pledged to secure general banking facilities granted to the Group.

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2020

	Leasehold improvements	Buildings	Equipment, tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020:									
Cost	765,605	3,798,087	7,977,680	383,411	103,029	437,435	1,796,027	416,857	15,678,131
Accumulated depreciation and impairment	(452,649)	(476,105)	(2,243,896)	(231,988)	(61,220)	–	(477,062)	(152,233)	(4,095,153)
Net carrying amount	312,956	3,321,982	5,733,784	151,423	41,809	437,435	1,318,965	264,624	11,582,978
At 1 January 2020, net of accumulated depreciation and impairment	312,956	3,321,982	5,733,784	151,423	41,809	437,435	1,318,965	264,624	11,582,978
Additions	110,626	130,346	6,100,715	82,281	47,919	602,572	–	5,079	7,079,538
Transfer from right-of-use assets (Note 14)	–	–	126,670	–	–	–	672,427	–	799,097
Acquisition of subsidiaries	–	464,588	58,134	7,638	385	1,077	–	–	531,822
Depreciation provided during the year	(97,621)	(158,614)	(1,073,433)	(59,579)	(16,937)	–	(71,433)	(84,129)	(1,561,746)
Disposal of subsidiaries	(2,090)	–	(10,121)	(20)	–	(540)	–	–	(12,771)
Transfers	15,542	401,202	100,327	11,049	–	(531,129)	–	3,009	–
Disposals	–	(7,384)	(146,109)	(2,302)	(711)	–	(671,432)	–	(827,938)
Exchange realignment	–	–	–	–	–	–	(46,969)	–	(46,969)
Impairment	(165,138)	(39,703)	(207,280)	(9,412)	–	–	(250,877)	–	(672,410)
At 31 December 2020, net of Accumulated depreciation and impairment	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601
At 31 December 2020:									
Cost	650,852	4,833,966	14,110,191	465,667	143,209	509,415	1,679,840	424,943	22,818,083
Accumulated depreciation and impairment	(476,577)	(721,549)	(3,427,504)	(284,589)	(70,744)	–	(729,159)	(236,360)	(5,946,482)
Net carrying amount	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601

NOTES TO FINANCIAL STATEMENTS

31 December 2021

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 25 years, while equipment generally has lease terms between 5 and 10 years or of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) **Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	Buildings	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	1,605,419	980,227	837,136	3,422,782
Additions	32,084	164,405	–	196,489
Acquisition of subsidiaries	54,003	–	19,995	73,998
Impairment	–	(89,860)	–	(89,860)
Depreciation charge	(40,703)	(171,802)	(38,909)	(251,414)
Disposal of subsidiaries	(177,075)	(234,083)	–	(411,158)
Transfer to property, plant and equipment	–	–	(799,097)	(799,097)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(4,156)	(78,342)	–	(82,498)
As at 31 December 2020 and 1 January 2021	**1,469,572**	**570,545**	**19,125**	**2,059,242**
Additions	**–**	**146,211**	**–**	**146,211**
Impairment	**–**	**(42,641)**	**–**	**(42,641)**
Depreciation charge	**(33,347)**	**(117,173)**	**–**	**(150,520)**
Disposal of subsidiaries (Note 39)	**–**	**(127,401)**	**–**	**(127,401)**
Transfer to property, plant and equipment	**–**	**–**	**(19,125)**	**(19,125)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**(708)**	**–**	**(708)**
As at 31 December 2021	**1,436,225**	**428,833**	**–**	**1,865,058**

As at 31 December 2021, the Group's leasehold land of approximately RMB842,213,000 (31 December 2020: RMB863,748,000) was pledged to secure general banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

14. LEASES (continued)

The Group as a lessee (continued)

(b) **Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2020
	RMB'000	RMB'000
Carrying amount at 1 January	820,592	1,873,077
New leases	147,551	155,427
Additions as a result of acquisition of subsidiaries	–	32,981
Accretion of interest recognised during the year (Note 6)	37,229	56,610
Payments	(186,395)	(962,182)
Disposal of subsidiaries (Note 39)	(210,130)	(254,491)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,832)	(80,830)
Carrying amount at 31 December	607,015	820,592
Analysed into:		
Current portion	163,638	237,544
Non-current portion	443,377	583,048

The maturity analysis of lease liabilities is disclosed in Note 47 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021	2020
	RMB'000	RMB'000
Interest on lease liabilities	37,229	56,610
Depreciation charge for right-of-use assets	150,520	251,414
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2021 (included in administrative expenses)	4,062	3,798
Expense relating to leases of low-value assets (included in administrative expenses)	156	31
Total amount recognised in profit or loss	191,967	311,853

NOTES TO FINANCIAL STATEMENTS

31 December 2021

14. LEASES (continued)

The Group as a lessee (continued)

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Note 40(c) and Note 43, respectively, to the financial statements.

The Group as a lessor – operating leases

The Group leases its equipment, tools and moulds under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB4,463,348,000 (2020: RMB2,484,554,000), details of which are included in Note 5 to the financial statements.

At 31 December 2021, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021	2020
	RMB'000	RMB'000
Within one year	4,035,657	2,254,990
After one year but within two years	634,465	335,435
After two years but within three years	18,771	12,121
	4,688,893	2,602,546

NOTES TO FINANCIAL STATEMENTS

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15. GOODWILL

	RMB'000
Cost at 1 January 2020, net of accumulated impairment	2,321,837
Acquisition of subsidiaries	28,978
Disposal of subsidiaries	(44,023)
Impairment during the year	(274,560)
Cost and net carrying amount at 31 December 2020	2,032,232
At 31 December 2020:	
Cost	2,587,343
Accumulated impairment	(555,111)
Net carrying amount	2,032,232
Cost at 1 January 2021, net of accumulated impairment	2,032,232
Disposal of subsidiaries (Note 39)	(86)
Impairment during the year	(1,658,164)
Cost and net carrying amount at 31 December 2021	373,982
At 31 December 2021:	
Cost	2,570,585
Accumulated impairment	(2,196,603)
Net carrying amount	373,982

Goodwill acquired through business combinations is allocated to each acquired subsidiary as the cash-generating units ("CGUs") within the medical service industry and educational service industry for impairment testing, which, for the purpose of the presentation, were grouped as follows:

- Medical service industry;
- Educational service industry.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

15. GOODWILL (continued)

For cash-generating units within the medical service industry

The recoverable amount of each CGU within the medical service industry has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period and approved by senior management. The post-tax discount rate applied to the cash flow projections is 14.0% (2020: 14.0%). The implied pre-tax discount rates for the cash flow projections are 15.4% to 18.6% (2020: 15.9% to 17.8%).

As at 31 December 2021, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB1,657,207,000 arising from the acquisition of some hospitals was higher than its recoverable amount, which was nil. Considering the fact that the actual medical service income was below the previously expected financial budget, management estimated that the future cash flows of these hospitals would probably be reduced to lower than originally expected, resulting in a decrease in value-in-use calculation. As a result, an impairment loss of approximately RMB1,657,207,000 (2020: RMB251,565,000) was recognised in the Group's consolidated financial statements for the year ended 31 December 2021.

For cash-generating units within the educational service industry

The recoverable amount of each CGU within the educational service industry has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The post-tax discount rate applied to the cash flow projections is 17.0% (2020: 17.0%). The implied pre-tax discount rate for the cash flow projections is 23.4% (2020: 23.4%).

As at 31 December 2021, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB957,000 arising from the acquisition of kindergartens were higher than its recoverable amount, which was nil. Considering the fact that the actual educational service income was below the previously expected financial budget, management estimated that the future cash flows of the kindergartens would probably be reduced to lower than originally expected, resulting in a decrease in value-in-use calculation. As a result, an impairment loss of approximately RMB957,000 (2020: RMB22,995,000) was recognised in the Group's consolidated financial statements for the year ended 31 December 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

15. GOODWILL (continued)

For cash-generating units within the educational service industry (continued)

The carrying amounts of goodwill are as follows:

	2021	2020
	RMB'000	RMB'000
Medical service industry	**369,460**	2,026,667
Educational service industry	**4,522**	5,565
Total	**373,982**	2,032,232

Assumptions were used in the value-in-use calculation of each CGU within the medical service industry and educational service industry for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Expected gross margin – the basis used to determine the value assigned to the expected gross margin is the gross margin achieved in the current year, adjusted for expected growth and other changes, and expected market development.

Discount rates – the discount rates used reflect specific risks relating to the units.

The values assigned to the key assumptions on market development of the medical service industry and the educational service industry, and the discount rates are comparable to external information sources.

NOTES TO FINANCIAL STATEMENTS

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16. OTHER INTANGIBLE ASSETS

	2021	2020
	RMB'000	RMB'000
Software (Note 16a)	72,181	49,079
Others	47	50
	72,228	49,129

16a. Software

	2021	2020
	RMB'000	RMB'000
Cost:		
At the beginning of the year	117,969	104,084
Acquisition of subsidiaries	–	6,961
Additions	39,407	22,384
Disposals	(1,794)	(11,771)
Disposal of subsidiaries (Note 39)	(2,398)	(3,689)
At the end of the year	153,184	117,969
Accumulated amortisation:		
At the beginning of the year	(68,890)	(70,021)
Acquisition of subsidiaries	–	(1,145)
Additions	(13,093)	(12,098)
Disposals	437	11,693
Disposal of subsidiaries (Note 39)	543	2,681
At the end of the year	(81,003)	(68,890)
Net carrying amount:		
At the end of the year	72,181	49,079
At the beginning of the year	49,079	34,063

NOTES TO FINANCIAL STATEMENTS

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17. SCOPE OF CONSOLIDATION

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows:

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) (Note ii)	PRC/Mainland China 13 September 1991	US$1,816,710,922	100	–	Finance lease
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) (Note ii)	PRC/Mainland China 10 December 2013	RMB6,500,000,000	55.38	44.62	Finance lease
Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司) (Note ii)	PRC/Mainland China 12 January 2017	RMB2,500,000,000/ RMB2,050,000,000	45	55	Finance lease
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) (Note ii)	PRC/Mainland China 28 April 2006	RMB10,400,000,000/ RMB9,700,000,000	–	100	Trading
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司) (Note ii)	PRC/Mainland China 4 March 2010	RMB100,000,000	–	100	Engineering and trading
Shanghai Dopont Industrial Co., Ltd. ("Dopont") (上海德朋實業有限公司) (Note ii)	PRC/Mainland China 10 November 2011	RMB7,000,000,000	–	100	Trading
Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司) (Note i)	Cayman Islands 2 October 2009	US$1,428/ US$1,050	100	–	Investment holding
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設發展有限公司) (Note ii)	PRC/Mainland China 14 April 2014	RMB4,400,000,000/ RMB4,300,000,000	–	80.95	Construction
Shanghai Horizon Equipment & Engineering Co., Ltd. (上海宏信設備工程有限公司) (Note ii)	PRC/Mainland China 13 July 2011	RMB4,912,984,400	–	80.95	Operating lease

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Equipment Rental Co., Ltd. (天津宏信設備租賃有限公司) (Note ii)	PRC/Mainland China 27 July 2012	RMB100,000,000	–	80.95	Operating lease
Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司) (Note ii)	PRC/Mainland China 12 January 2016	RMB3,000,000,000/ RMB2,500,000,000	–	100	Investment holding
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備工程有限公司) (Note ii)	PRC/Mainland China 2 August 2013	RMB600,000,000	–	80.95	Operating lease
Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. (益陽市昱宏基礎設施建設發展有限公司) (Note ii)	PRC/Mainland China 26 November 2015	RMB30,000,000	–	100	Construction
Pan Zhou Yuhong Infrastructure Investment Co., Ltd. (盤州市昱宏基礎設施投資有限公司) (Note ii)	PRC/Mainland China 7 November 2015	RMB80,000,000	–	100	Construction
Ziyang Yuyi Construction Investment Co., Ltd. (資陽市昱奕建設投資有限公司) (Note ii)	PRC/Mainland China 29 July 2016	RMB100,000,000	–	98.15	Construction
Jishou Yuxin Construction Investment Co., Ltd. (吉首市昱信建設發展有限公司) (Note ii)	PRC/Mainland China 14 September 2016	RMB93,400,000	–	100	Construction
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd. (延安市延延連接線建設投資有限公司) (Note ii)	PRC/Mainland China 19 January 2017	RMB202,318,678	–	54	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd. (延安昱華建設投資有限公司) (Note ii)	PRC/Mainland China 22 September 2017	RMB92,858,760	–	60	Construction
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd. (鍾祥宏瑞建設投資有限公司) (Note ii)	PRC/Mainland China 25 October 2017	RMB296,817,100	–	100	Construction
Guangzhou Horizon Equipment & Engineering Co., Ltd. (廣州宏途設備工程有限公司) (Note ii)	PRC/Mainland China 23 March 2015	RMB1,133,220,000	–	80.95	Operating lease
Grand Flight Investment Management Co., Ltd. (宏翔投資管理有限公司) (Note i)	British Virgin Islands 12 August 2014	US$1	–	100	Investment holding
Shanghai Thrive Kind Healthcare Investment Co., Ltd. (上海臻慈醫療投資有限公司) (Note ii)	PRC/Mainland China 10 February 2015	RMB400,000,000/ RMB146,940,000	–	100	Investment holding
Horizon Education Investment Holding (Shanghai) Co., Ltd. (上海宏信教育投資控股有限公司) (Note ii)	PRC/Mainland China 17 July 2014	RMB891,000,000	–	100	Investment holding
Shanghai Team Joy Management Limited (上海周濟同悅資產管理有限公司) (Note ii)	PRC/Mainland China 23 October 2015	RMB279,111,217	–	100	Investment holding
Shanghai Montessori Academy Co., Ltd. (上海森勝蒙世教育投資有限公司) (Note ii)	PRC/Mainland China 2 April 2015	RMB121,970,168	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wuhan Montessori Academy Co., Ltd. (武漢森勝蒙世教育諮詢有限公司) (Note ii)	PRC/Mainland China 7 April 2016	RMB2,000,000/ RMB1,000,000	–	100	Investment holding
Xiamen Montessori Academy Co., Ltd. (廈門森勝蒙世教育諮詢有限公司) (Note ii)	PRC/Mainland China 18 February 2016	RMB2,000,000	–	100	Investment holding
Montessori Academy Xiamen Siming Campus (廈門市思明區蒙世學堂幼兒園) (Note ii)	PRC/Mainland China 28 October 2016	RMB2,000,000	–	100	Education services
Shanghai Xi Wei Investment Consulting Co., Ltd. (上海習威投資諮詢有限公司) (Note ii)	PRC/Mainland China 21 November 2012	RMB4,000,000	–	100	Investment holding
Montessori Academy Biyun Campus (上海浦東新區民辦習威幼兒園) (Note ii)	PRC/Mainland China 6 February 2015	RMB2,000,000	–	100	Education services
Shanghai Montessori Academy Development Co., Ltd. (上海蒙世學堂文化發展有限公司) (Note ii)	PRC/Mainland China 7 March 2002	RMB1,000,000	–	100	Education services
Kunshan Yi Ze Education Consulting Co., Ltd. (昆山易擇教育諮詢有限公司) (Note ii)	PRC/Mainland China 19 May 2010	RMB50,000	–	100	Investment holding
Shanghai FE Private Equity Fund Management Co., Ltd. (上海周濟同歷私募基金管理有限公司) (Note ii)	PRC/Mainland China 23 October 2015	RMB30,000,000 RMB10,000,000	–	100	Investment holding
Grand Worthy Limited (宏冠有限公司) (Note i)	British Virgin Islands 20 April 2021	USD1/USD0	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Jingduo Enterprise Management Co.,Ltd (上海景鐸企業管理有限公司) (Note ii)	PRC/Mainland China 30 December 2016	RMB1,000,000	–	100	Management consulting
Confucius International School Qingdao (青島市市南區宏文外語學校) (Note ii)	PRC/Mainland China 8 July 2009	RMB1,200,000	–	90	Education services
Horizon Healthcare Management (Shanghai) Co., Ltd. (上海宏信醫院管理有限公司) (Note ii)	PRC/Mainland China 27 December 2012	RMB5,000,000	–	81	Advisory services
Far East Healthcare Holding Limited (遠東醫療控股有限公司) (Note i)	Hong Kong 30 August 2012	HK$10,000,000	–	100	Investment holding
Tianjin Renju Investment Management Co., Ltd. (天津仁聚投資控股有限公司) (Note ii)	PRC/Mainland China 12 January 2015	US$450,000,000/ US$444,142,508	–	100	Investment holding
Horizon Healthcare Investment & Holding (Shanghai) Co., Ltd. (上海宏信醫療投資控股有限公司) (Note ii)	PRC/Mainland China 26 April 2013	RMB3,000,000,000/ RMB2,826,890,000	–	100	Investment holding
Huakang Orthopaedics Hospital Co., Ltd. (惠州華康醫院有限公司) (Note ii)	PRC/Mainland China 20 February 2004	RMB35,130,000	–	69.30	Medical services
Siping Cancer Institute & Hospital Co., Ltd. (四平市腫瘤醫院有限公司) (Note ii)	PRC/Mainland China 23 April 2014	RMB58,823,990	–	58.48	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Binhai Xinrenci Hospital Co., Ltd. (濱海新仁慈醫院有限公司) (Note ii)	PRC/Mainland China 20 January 2015	RMB4,112,900	–	66.06	Medical services
Anda Jiren Hospital Co., Ltd. (安達市濟仁醫院有限責任公司) (Note ii)	PRC/Mainland China 9 April 2015	RMB20,460,878	–	50.44	Medical services
Zhoushan Dinghai Guanghua Hospital Co., Ltd. (舟山市定海廣華醫院有限責任公司) (Note ii)	PRC/Mainland China 17 May 2012	RMB18,200,205	–	42.20	Medical services
Zhoushan Putuo Guanghua Hospital Co., Ltd. (舟山市普陀廣華醫院有限責任公司) (Note ii)	PRC/Mainland China 17 December 2013	RMB20,000,000	–	29.54	Medical services
Deyang The Fifth Hospital Co., Ltd. (德陽第五醫院股份有限公司) (Note ii)	PRC/Mainland China 6 January 2012	RMB145,000,000	–	70	Medical services
Nayong Xinli Hospital Co., Ltd. (納雍新立醫院有限公司) (Note ii)	PRC/Mainland China 12 May 2016	RMB11,381,469	–	51	Medical services
Siyang Hospital of Traditional Chinese Medicine Co., Ltd. (泗陽縣中醫院有限公司) (Note ii)	PRC/Mainland China 6 January 2016	RMB30,000,000	–	50	Medical services
Siyang Yunbei Hospital Co., Ltd. (泗陽運北醫院有限公司) (Note ii)	PRC/Mainland China 8 July 2016	RMB3,833,333	–	35	Medical services
Chongqing Yudong Hospital Co., Ltd. (重慶渝東醫院有限責任公司) (Note ii)	PRC/Mainland China 7 December 2007	RMB29,154,515	–	51	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhengzhou Renji Hospital Co., Ltd. (鄭州仁濟醫院有限公司) (Note ii)	PRC/Mainland China 6 December 2016	RMB21,000,000	–	51	Medical services
Shenzhen CiHai Hospital (深圳慈海醫院) (Note ii)	PRC/Mainland China 21 December 2015	RMB50,000,000/ RMB0	–	80	Medical services
Shenzhen ZhongHai Hospital (深圳中海醫院) (Note ii)	PRC/Mainland China 22 December 2015	RMB50,000,000/ RMB30,000,000	–	80	Medical services
Dongguan Tangxia GuanHua Hospital Co., Ltd. (東莞市塘廈莞華醫院有限公司) (Note ii)	PRC/Mainland China 20 January 2016	RMB23,000,000/ RMB0	–	80	Medical services
Daishan Guanghua Orthopedic Hospital Co., Ltd. (岱山廣華骨傷醫院有限公司) (Note ii)	PRC/Mainland China 4 January 2017	RMB140,000,000	–	52.43	Medical services
Meizhou TieLuQiao Hospital Co., Ltd. (梅州鐵爐橋醫院有限公司) (Note ii)	PRC/Mainland China 8 December 2015	RMB13,422,819	–	51	Medical services
Zhaotong Renan Hospital Co., Ltd. (昭通仁安醫院有限責任公司) (Note ii)	PRC/Mainland China 26 November 2013	RMB534,545,000	–	80	Medical services
Qiaojia Renan Hospital Co., Ltd. (巧家仁安醫院有限公司) (Note ii)	PRC/Mainland China 1 April 2017	RMB500,000	–	80	Medical services
Tianjin Junda Enterprise Management Co., Ltd. (天津駿達企業管理有限公司) (Note ii)	PRC/Mainland China 4 November 2016	RMB100,000/ RMB0	–	100	Investment management

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17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Xiangji Enterprise Management Center (Limited Partnership) (天津祥驥企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 15 June 2016	RMB10,000/ RMB0	–	96	Investment management
Shanghai Grand Glory Eco Technology Co., Ltd. (上海宏瑞環保科技有限公司) (Note ii)	PRC/Mainland China 26 December 2014	RMB50,000,000/ RMB22,000,000	–	100	Ecotechnology
Far East Horizon Medical Technology Development Co., Ltd. (遠東宏信醫療科技發展有限公司) (Note ii)	PRC/Mainland China 16 November 2016	RMB50,000,000	–	100	Investment holding
Shanghai Everboom Health Investment Co., Ltd. (上海佰昆健康投資有限公司) (Note ii)	PRC/Mainland China 21 April 2016	RMB100,000,000	–	100	Investment holding
Grand Wise Limited (宏慧有限公司) (Note i)	British Virgin Islands 16 April 2021	USD1/USD0	–	100	Investment holding
Grand Gain Limited (宏達有限公司) (Note i)	British Virgin Islands 16 April 2021	USD1/USD0	–	100	Investment holding
Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd (唐山曹妃甸昱瑞建設工程有限公司) (Note ii)	PRC/Mainland China 31 March 2016	RMB84,920,000/ RMB34,560,100	–	89	Construction

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Hongsheng Leasing Co., Ltd. (天津宏聖租賃有限公司) (Note ii)	PRC/Mainland China 12 July 2019	RMB1,500,000,000/ RMB1,000,000,000	–	100	Operating lease
Montessori Academy Xiushan Campus (上海徐匯區民辦蒙世學堂秀山幼兒園) (Note ii)	PRC/Mainland China 31 May 2018	RMB2,000,000	–	100	Education services
Montessori Academy Xuhui Campus (上海徐匯區民辦蒙世學堂幼兒園) (Note ii)	PRC/Mainland China 3 January 2018	RMB2,000,000	–	100	Education services
Chengdu Gaoxinyuan Company Limited (成都高新區蒙世幼兒園) (Note ii)	PRC/Mainland China 5 May 2014	RMB2,400,000	–	100	Education services
Xianning Matang Hospital Company Limited (咸寧麻塘風濕病醫院有限公司) (Note ii)	PRC/Mainland China 23 August 2006	RMB22,448,980	–	51	Medical services
Renshou Yunchang Hospital Company Limited (仁壽運長醫院有限責任公司) (Note ii)	PRC/Mainland China 20 October 2016	RMB40,000,000	–	60	Medical services
Dongtai Hongxu New Energy Technology Co., Ltd. (東台市宏旭新能源科技有限公司) (Note ii)	PRC/Mainland China 7 April 2017	RMB7,000,000	–	61.89	Ecotechnology
Qinghai Kangle Hospital Company Limited (青海省康樂醫院有限公司) (Note ii)	PRC/Mainland China 14 September 2017	RMB25,000,000	–	100	Medical services

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinxiang League Hospital Company Limited (新鄉同盟醫院有限公司) (Note ii)	PRC/Mainland China 9 November 2017	RMB22,727,273	–	51	Medical services
Sihui Wanlong Hospital Co., Ltd (四會萬隆醫院有限公司) (Note ii)	PRC/Mainland China 9 June 2003	RMB127,120,000/ RMB100,590,035	–	100	Medical services
Tianjin Horizon Yuanzhan Enterprise Management Co., Ltd. (宏信遠展企業管理有限公司) (Note ii)	PRC/Mainland China 29 March 2018	RMB900,000,000	–	100	Investment management
Tianjin Hongtuo Investment Management Co., Ltd. (宏拓投資管理有限公司) (Note ii)	PRC/Mainland China 9 November 2017	RMB3,000,000,000	–	100	Investment management
Tianjin Kaifeng Enterprise Management Co., Ltd. (天津凱鋒企業管理有限公司) (Note ii)	PRC/Mainland China 10 January 2018	RMB100,000,000	–	100	Investment management
Hongjie Asset Management Co., Ltd. (宏杰資產管理有限公司) (Note ii)	PRC/Mainland China 29 January 2018	RMB1,000,000,000	–	100	Investment management
Horizon Financial Company Limited (宏信金服(天津)信息科技有限公司) (Note ii)	PRC/Mainland China 10 May 2018	RMB30,000,000	–	100	Investment management
HONGXU(SUQIAN) New Energy Co., Ltd. (宿遷市宿豫區宏旭新能源科技有限公司) (Note ii)	PRC/Mainland China 27 May 2017	RMB3,830,000	–	61.89	Ecotechnology

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yushan Yusheng Construction & Engineering Investment Co., Ltd. (玉山縣玉昇建設工程投資有限公司) (Note ii)	PRC/Mainland China 20 December 2017	RMB162,530,000	–	99	Construction
Nanchang Hongdi Infrastructure Construction Co., Ltd. (南昌市宏迪建設有限公司) (Note ii)	PRC/Mainland China 8 August 2017	RMB20,000,000	–	95	Construction
Far East Horizon Medical Group Co., Ltd. (遠東宏信醫院集團有限公司) (Note ii)	PRC/Mainland China 13 April 2015	RMB3,000,000,000/ RMB2,826,890,000	–	100	Investment holding
Ruyang Junzuo New Energy Technology Co., Ltd (汝陽浚祚新能源科技有限公司) (Note ii)	PRC/Mainland China 25 April 2018	RMB5,878,800	–	48.56	Ecotechnology
Suqian Hongjing Water Treatment Co., Ltd. (宿遷市宏景水處理有限責任公司) (Note ii)	PRC/Mainland China 25 July 2019	RMB287,753,200/ RMB129,482,503	–	77	Ecotechnology
Guangzhou Wealth Healthy Electronics Co., Ltd. (廣州源康精密電子股份有限公司) (Note ii)	PRC/Mainland China 20 May 2005	RMB64,000,000	–	50.53	Ecotechnology
Ningbo Qixu New Energy Co., Ltd. (寧波市啟煦新能源有限公司) (Note ii)	PRC/Mainland China 20 December 2016	RMB30,000,000/ RMB8,872,000	–	95.22	Ecotechnology
Chengdu Jinsha Hospital Co., Ltd. (成都金沙醫院有限公司) (Note ii)	PRC/Mainland China 18 June 2014	RMB10,000,000	–	100	Medical services

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ningbo Zhenhai Second Hospital Co., Ltd. (寧波鎮海第二醫院) (Note ii)	PRC/Mainland China 27 September 2017	RMB25,171,080	–	70	Medical services
Zhecheng Hospital of Traditional Chinese Medicine Co., Ltd. (柘城中醫院有限公司) (Note ii)	PRC/Mainland China 21 March 2019	RMB3,630,858	–	51	Medical services
Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司) (Note ii)	PRC/Mainland China 23 November 2017	RMB4,000,000,000	–	100	Investment management
Shanghai Baiyue Property Service Co., Ltd. (上海柏悦物業服務有限公司) (Note ii)	PRC/Mainland China 16 August 2016	RMB5,000,000	–	100	Property services
Shanghai Jingyi Enterprise Management Co., Ltd (上海景屹企業管理有限公司) (Note ii)	PRC/Mainland China 30 December 2016	RMB10,000,000	–	100	Investment management
Tianjin Hongmao Enterprise Management Co., Ltd (天津宏茂企業管理有限公司) (Note ii)	PRC/Mainland China 5 January 2018	RMB730,000,000/ RMB511,000,000	–	100	Investment management
Tianjin Horizon Yuanpeng Enterprise Management Co., Ltd (天津宏信遠鵬企業管理有限公司) (Note ii)	PRC/Mainland China 27 February 2018	RMB700,000,000	–	100	Investment management
Tianjin Junmeng Management Co., Ltd (天津駿盟企業管理有限公司) (Note ii)	PRC/Mainland China 12 April 2017	RMB100,000,000	–	100	Investment management

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Juntai Enterprise Management Co., Ltd (天津駿泰企業管理有限公司) (Note ii)	PRC/Mainland China 16 March 2017	RMB300,000,000	–	95.28	Investment management
Tianjin Junjia Enterprise Management Co., Ltd (天津駿嘉企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB700,000,000	–	100	Investment management
Tianjin Junhai Enterprise Management Co., Ltd (天津駿海企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB300,000,000	–	100	Investment management
Tianjin Junyang Enterprise Management Co., Ltd (天津駿洋企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB180,000,000/ RMB113,000,000	–	100	Investment management
Taizhou Dehong New Energy Technology Co., Ltd (台州德鴻新能源科技有限公司) (Note ii)	PRC/Mainland China 11 November 2016	RMB1,000,000	–	95.22	Ecotechnology
Shanghai Hongzuo New Energy Co., Ltd (上海宏祚新能源科技有限公司) (Note ii)	PRC/Mainland China 14 August 2017	RMB191,110,000/ RMB141,932,500	–	95.22	Ecotechnology
Tianjin Junrui Enterprise Management Co., Ltd (天津駿瑞企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB33,100,000 RMB24,152	–	57.4	Investment management
Yangzhou Jianglin Construction & Investment Co., Ltd (揚州江臨投資建設有限公司) (Note ii)	PRC/Mainland China 21 April 2017	RMB300,000,000	–	100	Construction investment

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinyun Hongzhi Transportation Investment Co., Ltd (縉雲縣宏冶交通投資有限公司) (Note ii)	PRC/Mainland China 29 September 2018	RMB346,122,360/ RMB144,088,300	–	94.05	Investment management
Linghai Dalinghe Hospital Co., Ltd (凌海大凌河醫院有限責任公司) (Note ii)	PRC/Mainland China 8 August 2016	RMB87,833,334	–	70	Medical services
Longpei (Shanghai) Enterprise Management Limited (礱佩(上海)企業管理有限公司) (Note ii)	PRC/Mainland China 29 June 2020	RMB5,000,000	–	100	Investment management
FE Jintai (Tianjin) Investment L.P. (遠東金泰(天津)投資合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 7 September 2020	RMB1,001,000,000	–	30.05	Investment management
Zibo Hongjia Construction Investment Limited (淄博市宏嘉建設投資有限公司) (Note ii)	PRC/Mainland China 16 July 2020	RMB100,000,000	–	95	Construction
Shanghai Hongsun Engineering Management Limited (上海宏昇工程管理有限公司) (Note ii)	PRC/Mainland China 22 October 2019	RMB30,000,000/ RMB4,000,000	–	100	Construction
Tianjin Tongli Hongyang No.3 Enterprise Management and Advisory Centre (LP) (天津同歷宏陽三號企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 6 September 2017	RMB29,960,000/ RMB29,950,000	–	22.04	Investment management
Tianjin Tongli Bingying No.6 Equity Investment Fund Partnership Enterprise (LP) (天津同歷並贏六號股權投資基金合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 6 August 2020	RMB50,010,000/ RMB50,000,000	–	78.86	Investment management

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17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chuzhou Fuzuo New Energy Technology Co., Ltd (滁州市福祚新能源科技有限公司) (Note ii)	PRC/Mainland China 29 May 2020	RMB2,699,000	–	95.22	Ecotechnology
Kunshan Hongxu New Energy Technology Co., Ltd (昆山市宏旭新能源科技有限公司) (Note ii)	PRC/Mainland China 21 May 2020	RMB3,727,420	–	95.22	Ecotechnology
Nantong Hanjiang New Energy Technology Co., Ltd (南通漢將新能源科技有限公司) (Note ii)	PRC/Mainland China 10 September 2019	RMB5,000,000/ RMB4,945,563	–	95.22	Ecotechnology
Foshan Qingshun Solar Energy Technology Co., Ltd (佛山晴順太陽能科技有限公司) (Note ii)	PRC/Mainland China 6 December 2019	RMB5,000,000/ RMB1,853,000	–	95.22	Ecotechnology
Tianjin Yuhui Solar Energy Co., Ltd (天津昱輝光伏發電有限公司) (Note ii)	PRC/Mainland China 17 August 2018	RMB5,000,000/ RMB3,370,000	–	95.22	Ecotechnology
Foshan Qinghao Solar Energy Technology Co., Ltd (佛山晴浩新能源科技有限公司) (Note ii)	PRC/Mainland China 14 July 2020	RMB5,000,000/ RMB3,900,600	–	95.22	Ecotechnology
Huihong (Tianjin) Enterprise Management and Advisory Centre (LP) (天津匯宏企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 15 September 2020	RMB56,641,200/ RMB29,081,556	–	80	Investment management

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Grand Flight Yongxuan (Tianjin) Enterprise Management Centre (LP) (天津遠翼永宣企業管理中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 11 October 2018	RMB1,341,840,000/ RMB0	–	41.23	Investment management
The National Mathematics and Science College Limited (英國國家文理中學) (Note i)	United Kingdom 2 February 2015	UK£50,000	–	75	Education services
Yingke (Beijing) International Education Advisory Co., Ltd. (英科(北京)國際教育諮詢有限公司) (Note ii)	PRC/Mainland China 27 June 2017	RMB20,000,000/ RMB1,146,276	–	75	Education services
Yantai Grand Light Municipal Development Limited (煙台宏明城市發展有限公司) (Note ii)	PRC/Mainland China 19 August 2020	US$30,000,000/ US$25,801,089	–	100	Investment management
Pizhou Dongda Hospital Co., Ltd. (邳州市東大醫院有限公司) (Note ii)	PRC/Mainland China 19 September 2011	RMB181,603,602	–	54.67	Medical services
Hongyi Commercial Factoring (Tianjin) Co., Ltd. (宏伊商業保理(天津)有限公司) (Note ii)	PRC/Mainland China 5 March 2020	RMB50,000,000	–	100	Factoring
Horizon Construction Development Limited (宏信建設發展有限公司) (Note i)	Cayman Islands 28 September 2020	US$50,000	80.95	–	Construction
Jinsheng Construction (Hong Kong) Limited (晉勝建設(香港)有限公司) (Note i)	Hong Kong 19 December 2014	HK$1	–	80.95	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Construction Development Investment Co., Ltd. (天津宏信建發投資有限公司) (Note ii)	PRC/Mainland China 20 June 2019	US$1,000,000,000/ US$938,767,508	–	80.95	Investment holding
Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司) (Note ii)	PRC/Mainland China 20 April 2020	RMB200,000,000	–	80.95	Construction
Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司) (Note ii)	PRC/Mainland China 11 September 2020	RMB200,000,000	–	80.95	Construction
Tianjin Horizon Construction Development Leasing Co., Ltd. (天津宏信建發租賃有限公司) (Note ii)	PRC/Mainland China 16 April 2020	RMB705,000,000	–	80.95	Construction
Tianjin Hongtu Supply Chain Management Co., Ltd. (天津宏途供應鏈管理有限公司 (Note ii)	PRC/Mainland China 19 November 2020	RMB10,000,000	–	80.95	Construction
Tianjin Horizon Construction Development Engineering Technology Co., Ltd. (天津宏信建發工程技術有限公司) (Note ii)	PRC/Mainland China 23 November 2020	RMB10,000,000	–	80.95	Construction
Beijing Hongtu Equipment Leasing Co., Ltd. (北京宏途設備租賃有限公司) (Note ii)	PRC/Mainland China 2 December 2020	RMB1,000,000/ RMB0	–	80.95	Construction
Horizon Commercial Factoring Co., Ltd. (遠宏商業保理(天津)有限公司) (Note ii)	PRC/Mainland China 8 November 2019	RMB3,000,000,000	100	–	Factoring

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Chongzhi Information Technology Development Limited (上海崇至信息科技發展有限公司) (Note ii)	PRC/Mainland China 12 May 2016	RMB750,000,000	–	100	Information technology
Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Ltd. (遠東宏信普惠融資租賃(天津)有限公司) (Note ii)	PRC/Mainland China 25 October 2019	RMB2,000,000,000	45	55	Finance lease
Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) (Note i)	Cayman Islands 4 November 2014	USD$161,212,393	–	100	Medical services
Beijing Hongxian Enterprise Management Consulting Co., Ltd. (北京宏賢企業管理諮詢有限公司) (Note ii)	PRC/Mainland China 4 December 2017	RMB2,000,000	–	100	Management consulting
Shanghai Yucui Enterprise Management Co., Ltd. (上海宇萃企業管理有限公司) (Note ii)	PRC/Mainland China 30 January 2019	RMB300,000,000	–	100	Management consulting
Far East Horizon Capital Limited (遠東宏信資本有限公司) (Note i)	Hong Kong 31 August 2015	HK$2,000,000,000/ HK$1,116,364,359	100	–	Investment management
Far East Horizon International Finance Co.,Limited (遠東宏信國際金融有限公司) (Note i)	Hong Kong 4 September 2019	HK$10,000,000	–	100	International finance

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) (Note i)	Hong Kong 29 April 2021	HK$10,000,000	–	80.95	Investment holding
Horizon Construction Development (Singapore) PTE. LTD (宏信建發海外(新加坡)有限公司) (Note i)	Singapore 21 July 2021	SGD10,000	–	80.95	Trading
Horizon Construction Overseas (Malaysia) SDN. BHD (宏信建發海外(馬來西亞)有限公司) (Note i)	Malaysia 8 November 2021	MYR1	–	80.95	Import and export sale and leasing of new and used equipment
Hebei Hongjin Formwork Technology Co., Ltd (河北宏金模架科技有限公司) (Note ii)	PRC/Mainland China 30 July 2021	RMB10,000,000/ RMB0	–	80.95	Engineering and technical services

The above table lists the subsidiaries and consolidated structured entities of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Note i: Foreign invested enterprises

Note ii: Domestic companies

Note iii: Consolidated structured entities

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18. INVESTMENTS IN JOINT VENTURES

	2021	2020
	RMB'000	RMB'000
Share of net assets	2,856,978	2,402,552
Excess of consideration over share of net assets acquired	17,844	104,624
Provision for impairment	(270,686)	(180,416)
	2,604,136	2,326,760

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Kunming Broadhealthcare (Group) Co., Ltd. (昆明博健醫療(集團)有限公司)	Registered capital of RMB14,333,328	PRC/Mainland China	33.3837	33.3837	Healthcare investment and management
Guangzhou Kangda Industrial Technology Co., Ltd. ("Kangda") (廣州康大工業科技產業有限公司)	Registered capital of HK$200,000,000	PRC/Mainland China	60*	60	Development and construction
Kunming Boyue Maternal and Infant Care Co., Ltd. (昆明博悅母嬰護理有限責任公司)	Registered capital of RMB5,555,600	PRC/Mainland China	28.36	28.36	Medical services
Grand Flight Holdings Co., Ltd. (遠翼控股有限公司)	Authorised capital of US$50,000	British Virgin Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment Management Co., Ltd. (遠翼宏揚投資管理有限公司)	Authorised capital of US$50,000	Cayman Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	US$73,329,460.54	Cayman Islands	55*	55	Investment holding

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18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the Group's joint ventures are as follows: (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Teamway Shipping Limited (匯聯船務有限公司)	HK$10,000	Hong Kong	50	50	Shipping services
Gold Chance Shipping Limited (金運船務有限公司)	HK$10,000	Hong Kong	50	50	Shipping services
Fengyang Qianmen Hospital Co., Ltd. (Formerly known as Fengyang Gulou Hospital Co., Ltd.) (鳳陽縣前門醫院有限公司) (原名：鳳陽縣鼓樓醫院有限公司)	Registered capital of RMB100,000,000	PRC/Mainland China	35	35	Medical services
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. (蘇州高新康復醫院有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	61*	61	Medical services
Grand Flight Investment Management Co., Ltd. (遠翼投資管理有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	78*	90	Investment holding
Tianjin Yuanyi Kaiyuan Asset Management Centre ("Yuanyi Kaiyuan") (Limited Partnership) (天津遠翼開元資產管理中心 (有限合夥))	Registered capital of RMB1,505,420,000	PRC/Mainland China	39.856	39.856	Investment holding
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. (廣州藝美天成裝飾工程有限公司)	Registered capital of RMB5,000,000	PRC/Mainland China	60*	60	Decoration engineering
Wuhan Matang Hospital of Traditional Chinese Medicine Co., Ltd. (武漢麻塘中醫醫院有限公司)	Registered capital of RMB16,040,000	PRC/Mainland China	49	49	Medical services

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18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the Group's joint ventures are as follows: (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Shanghai Xiangyun Enterprise Management Partnership (Limited Partnership) (上海襄鋆企業管理合夥企業(有限合夥))	Registered capital of RMB350,010,000	PRC/Mainland China	51.9985*	51.9985	Management consulting
Wuhan Hongye Construction Development Co., Ltd. (武漢泓冶建設發展有限公司)	Registered capital of RMB328,000,000	PRC/Mainland China	47	47	Drainage works
Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司)	Registered capital of RMB146,280,748	PRC/Mainland China	48	48	Infrastructure construction
Guixi Hongye Infrastructure Investment Co., Ltd. (貴溪市宏鄴基礎設施投資有限公司)	Registered capital of RMB151,294,129	PRC/Mainland China	48	48	Infrastructure construction
Xi'an Chuxin Investment Construction Co., Ltd. (西安楚信投資建設有限公司)	Registered capital of RMB100,000,000	PRC/Mainland China	46	46	Municipal engineering
Sichuan Hongcheng City Construction Investment Co., Ltd. (四川宏鑄城市建設投資有限公司)	Registered capital of RMB10,000,000	PRC/Mainland China	60*	60	Construction investment
Qingdao Co-e-Wins Venture Capital Limited Partnership (青島同歷並贏創業投資合夥企業(有限合夥))	Registered capital of RMB100,000,000	PRC/Mainland China	50	50	Investment management

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18. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the Group's joint ventures are as follows: (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Yantai Zhongdaxinhong Education Investment Co., Ltd. (煙台中達信宏科教投資有限公司)	Registered capital of RMB520,000,000	PRC/Mainland China	47.5	47.5	Infrastructure construction
Yantai Yuanxin Zhongda Investment Co., Ltd. (煙台遠信中達投資有限公司)	Registered capital of RMB260,000,000	PRC/Mainland China	67*	67	Infrastructure construction
Nanchang Xintie City Construction Investment Co., Ltd. (南昌市新鐵城建設有限公司)	Registered capital of RMB72,500,000	PRC/Mainland China	31.03	31.03	Infrastructure construction

* The decisions about the relevant activities that most significantly affect the returns of these investees would be subject to the consent of others (e.g. other shareholders or directors), and hence, the ownership interests and powers held by the Group in those investees do not currently grant the Group the unilateral ability to direct the relevant activities in these investees.

The Group's loans and accounts receivable balances due from the joint ventures are disclosed in Note 23j to the financial statements. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

Kangda and Yuanyi Kaiyuan, which are considered material joint ventures of the Group, are mainly engaged in development, construction and investment holding in Mainland China. The aforementioned companies are accounted for using the equity method.

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18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Kangda adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements:

	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	562,665	436,351
Other current assets	2,196,049	2,918,115
Current assets	2,758,714	3,354,466
Non-current assets	72,627	30,554
Other payables and accruals	(825,169)	(1,088,905)
Current liabilities	(825,169)	(1,088,905)
Non-current liabilities	(220,000)	(889,000)
Net assets	1,786,172	1,407,115
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	60%	60%
Group's share of net assets of the joint venture, excluding the excess of consideration over share of net assets acquired	1,071,703	844,269
Cumulative impairment	(120,000)	(170,000)
Carrying amount of the investment	951,703	674,269

	2021	2020
	RMB'000	RMB'000
Revenue	1,239,834	173,098
Cost of sales	(528,753)	(183,916)
Administrative expenses	(23,486)	(15,725)
Other expenses	(308,570)	(18,675)
Other income	32	31
Profit/(loss) and other comprehensive income for the year	379,057	(45,187)

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18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Yuanyi Kaiyuan adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements:

	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	18,887	50,422
Other current assets	1,257,818	1,706,416
Current assets	1,276,705	1,756,838
Net assets	1,276,705	1,756,838
Net assets attributable to limited partners	1,251,356	1,662,309
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	39.856%	39.856%
Group's share of net assets of the joint venture, excluding the excess of consideration over share of net assets acquired	498,740	662,530
Carrying amount of the investment	498,740	662,530

	2021	2020
	RMB'000	RMB'000
Other expenses	(456,397)	(30,893)
Other income	180,344	15,879
Loss and total comprehensive income for the year	(276,053)	(15,014)
Dividend received	53,766	16,307

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18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2021	2020
	RMB'000	RMB'000
Share of the joint ventures' gain for the year	92,700	36,398
Aggregate carrying amount of the Group's investments in the joint ventures	1,153,693	989,961

19. INVESTMENTS IN ASSOCIATES

	2021	2020
	RMB'000	RMB'000
Share of net assets	4,641,240	4,299,740
Excess of consideration over share of net assets acquired	574,906	664,719
	5,216,146	4,964,459

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	30	30	Development and construction
Hangzhou Guoya Stomatological Hospital Co., Ltd. (杭州國雅口腔醫院有限公司)	Registered capital of RMB32,574,700	PRC/Mainland China	15	15	Medical services

As at 31 December 2021, the Group also invested in six companies which are mainly engaged in the investment holding business in Mainland China, with the registered capital of RMB2,600,000,000, RMB3,000,000,000, RMB7,097,107,212, RMB5,717,805,000, RMB1,000,000,000 and RMB3,000,000,000, respectively. The percentage of ownership interest and profit sharing of the Group in these companies are 27.20%, 19.50%, 8.5011%, 11.47%, 10.00% and 17.00%, respectively. The aforementioned companies are accounted for using the equity method.

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 5 largest associates (in terms of carrying amount as at 31 December 2021) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2021				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	8,235,641	134,945	42,842,050	4,004,280	1,564,559
Non-current assets	33,750,777	5,348,774	22,489,848	4,750,887	4,653,554
Current liabilities	(4,734,864)	(79,236)	(17,473,788)	(648,857)	(96,316)
Non-current liabilities	(25,676,468)	(1,182,186)	(33,110,944)	(4,395,882)	(2,650,356)
Net assets	11,575,086	4,222,297	14,747,166	3,710,428	3,471,441
Net assets attributable to the shareholders of the parent	6,622,426	4,222,297	12,513,859	3,552,028	3,471,441
Reconciliation to the Group's interests in the associates:					
Proportion of the Group's ownership	11.470%	19.500%	8.5011%	27.200%	17.000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	759,592	823,348	1,063,816	966,152	590,145
Excess of consideration over share of net assets	243,128	23,717	134,134	132,022	–
Carrying amount of the investment	1,002,720	847,065	1,197,950	1,098,174	590,145
Revenue	734,595	507,204	5,916,826	438,636	501,440
Profit and total comprehensive income for the year after the Group's investments in the associates	1,211,726	258,687	1,251,848	123,007	231,561
Profit and total comprehensive income attributable to the parent after the Group's investments in the associates	805,862	258,687	1,132,487	117,927	231,561
Dividend received	24,000	19,500	32,797	–	–

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 5 largest associates (in terms of carrying amount as at 31 December 2020) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2020				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	7,010,029	4,540,274	47,203,179	5,992,675	1,087,324
Non-current assets	28,528,195	2,216,878	15,512,817	2,738,464	4,308,722
Current liabilities	(1,888,577)	(1,509,155)	(18,414,667)	(2,169,947)	(443,242)
Non-current liabilities	(23,790,222)	(1,184,386)	(30,249,957)	(2,968,172)	(1,712,925)
Net assets	9,859,425	4,063,611	14,051,372	3,593,020	3,239,879
Net assets attributable to the shareholders of the parent	4,789,396	4,063,611	11,767,173	3,434,100	3,239,879
Reconciliation to the Group's interests in the associates:					
Proportion of the Group's ownership	13.3082%	19.500%	8.5011%	27.200%	17.000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	637,382	792,404	1,000,339	934,075	550,779
Excess of consideration over share of net assets	282,092	23,717	134,134	132,022	–
Carrying amount of the investment	919,474	816,121	1,134,473	1,066,097	550,779
Revenue	788,037	602,679	5,342,583	484,997	330,095
Profit and total comprehensive income for the year after the Group's investments in the associates	1,101,952	360,132	1,085,137	172,919	224,685
Profit and total comprehensive income attributable to the parent after the Group's investments in the associates	832,809	360,132	962,770	166,112	224,685
Dividend received	30,004	28,275	33,291	47,722	–

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021	2020
	RMB'000	RMB'000
Share of the associates' profit for the year	126,202	139,428
Aggregate carrying amount of the Group's investments in the associates	480,092	477,515

The above balances include a total of RMB13,022,000 (31 December 2020: RMB63,335,000) investments held by the Group as an investor in sub-ordinated tranches of several collective fund trusts, whose total funds raised amounted to RMB125,000,000 (31 December 2020: RMB500,000,000). The Group had significant influence over these trusts. These trusts conduct entrusted finance lease and entrusted loan businesses. The maximum exposure of the Group to losses from those investments approximate their carrying amounts.

The Group's loans and accounts receivable balances due from the associates are disclosed in Note 23j to the financial statements.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	RMB'000
Unlisted equity investments, at fair value	2,069,218	934,037
Listed equity investments, at fair value	228,965	233,100
Unlisted debt investments, at fair value	10,462,175	8,175,428
	12,760,358	9,342,565
Analysed into:		
Current portion	3,270,140	3,165,851
Non-current portion	9,490,218	6,176,714

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The above debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	RMB'000	RMB'000
Measured at fair value:		
Notes receivable	699,039	108,176

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps	11,596	(2,267,431)	269,809	(1,756,842)
Forward currency contracts	–	(86,806)	–	(72,485)
Interest rate swaps	10,735	(14,627)	19,158	(25,838)
	22,331	(2,368,864)	288,967	(1,855,165)
Portion classified as non-current:				
Cross-currency interest rate swaps	11,596	(1,216,574)	50,193	(1,528,821)
Forward currency contracts	–	(60,842)	–	(24,409)
Interest rate swaps	10,278	(14,337)	19,009	(4,494)
	21,874	(1,291,753)	69,202	(1,557,724)
Current portion	457	(1,077,111)	219,765	(297,441)
	22,331	(2,368,864)	288,967	(1,855,165)

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9

At 31 December 2021, the Group designated 83 (2020: 75) cross-currency interest rate swap contracts, 11 (2020: 6) forward currency contracts and 29 (2020: 22) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 31 December 2021, the Group had 19 (2020: 15) cross-currency interest rate swaps in place with notional amounts of HK$10,795,760,000 (2020: HK$6,980,000,000) whereby the Group receives a floating rate of interest on the HK$ notional amount at HKD-HIBOR-HKAB and pays a fixed rate of interest on the RMB notional amount at 3.15% to 4.38% (2020: 3.15% to 4.38%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 19 floating rate long-term borrowings denominated in HK$ with the total principal of HK$10,795,760,000 (2020: HK$6,980,000,000).

At 31 December 2021, the Group had 49 (2020: 54) cross-currency interest rate swaps in place with notional amounts of US$3,475,666,000 (2020: US$4,040,572,000) whereby the Group receives a floating rate of interest on the US$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the RMB notional amount at 2.72% to 4.36% (2020: 2.70% to 4.38%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 49 floating rate long-term borrowings denominated in US$ with the total principal of US$3,475,666,000 (2020: US$4,040,572,000).

At 31 December 2021, the Group had 14 (2020: 5) cross-currency interest rate swaps in place with notional amounts of US$1,200,000,000 (2020: US$400,000,000) whereby the Group receives a fixed rate of interest on the US$ notional amount at 2.63% to 4.38% (2020: 3.38% to 4.38%) per annum and pays a fixed rate of interest on the RMB notional amount at 4.50% to 5.99% (2020: 4.50% to 5.88%) per annum. The swaps are being used to hedge the foreign currency exposure of 14 fixed rate long-term borrowings denominated in US$ with the total principal of US$1,200,000,000 (2020: US$400,000,000).

At 31 December 2021, the Group had 1 (2020: 1) cross-currency interest rate swap in place with a notional amount of JPY6,500,000,000 (2020: JPY6,500,000,000) whereby the Group receives floating rate interest on the JPY notional amount at JPY-LIBOR-BBA and pays a fixed rate interest on the RMB notional amount at 3.83% (2020: 3.83%) per annum. The swap is being used to hedge the foreign currency and interest rate exposure of 1 floating rate long-term borrowing denominated in JPY with the principal of JPY6,500,000,000 (2020: JPY6,500,000,000).

At 31 December 2021, the Group had 11 (2020: 6) forward currency contracts with a total notional amount of US$245,490,000 (2020: US$237,835,000) as hedges of future cash flows arising from foreign currency borrowings with the total principal of US$245,490,000 (2020: US$237,835,000) which will be settled in US$.

At 31 December 2021, the Group had 1 (2020: 4) interest rate swap in place with a notional amount of US$100,000,000 (2020: US$300,000,000) whereby the Group receives a floating rate of interest on the US$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the US$ notional amount at 0.45% (2020: 0.45% to 2.36%) per annum. The swap is being used to hedge interest rate exposure of 1 floating rate long-term borrowing denominated in US$ with the principal of US$100,000,000 (2020: US$300,000,000).

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

At 31 December 2021, the Group had 28 (2020: 18) interest rate swaps in place with a total notional amount of RMB11,557,550,000 (2020: RMB10,471,232,000) whereby the Group receives interest at variable rates based on the Loan Prime Rate on the notional amount and pays a fixed rate of interest on the RMB notional amount at 3.70% to 4.20% (2020: 3.70% to 4.11%) per annum. The swaps are being used to hedge interest rate exposure of 27 floating rate long-term borrowings and 1 floating rate short-term borrowing denominated in RMB with the principal of RMB11,557,550,000 (2020: RMB10,471,232,000).

There is an economic relationship between the hedged items and the hedging instruments as the terms of the cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps match the terms of the borrowing contracts (i.e., the notional amount, expected payment date and interest rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps:

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2021							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	3,101,000	4,415,472	335,156	175,113	7,113,630	15,518,079	30,658,450
Average forward exchange rate (US$/RMB)	7.0187	7.0187	7.0779	7.0045	6.7400	6.5411	
Notional amount (in RMB'000)	356,502	396,325	–	–	2,996,371	5,017,736	8,766,934
Average forward exchange rate (HK$/RMB)	0.9130	0.9035	–	–	0.8832	0.8372	
Notional amount (in RMB'000)	–	–	–	428,350	–	–	428,350
Average forward exchange rate (JPY/RMB)	–	–	–	0.0659	–	–	
Forward currency contracts							
Notional amount (in RMB'000)	631,322	412,888	–	–	627,747	–	1,671,957
Average forward exchange rate (US$/RMB)	6.7313	6.6066	–	–	6.9532	–	
Interest rate swaps Notional amount (in RMB'000)	10,000	1,000,000	–	1,010,983	7,802,971	2,371,166	12,195,120
Average forward exchange rate	N/A	N/A	–	N/A	N/A	N/A	
Hedge rate	1	1	1	1	1	1	

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2020							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	5,927,433	2,750,820	2,327,074	–	9,987,735	9,024,455	30,017,517
Average forward exchange rate (US$/RMB)	6.3604	6.7213	6.7734	–	7.0525	6.7987	
Notional amount (in RMB'000)	1,569,905	–	–	–	1,485,029	2,996,371	6,051,305
Average forward exchange rate (HK$/RMB)	0.8061	–	–	–	0.9073	0.8832	
Notional amount (in RMB'000)	–	–	–	–	428,350	–	428,350
Average forward exchange rate (JPY/RMB)	–	–	–	–	0.0659	–	
Forward currency contracts							
Notional amount (in RMB'000)	–	353,430	495,117	510,154	–	298,384	1,657,085
Average forward exchange rate (US$/RMB)	–	6.9082	7.0042	6.7570	–	7.4410	
Interest rate swaps							
Notional amount (in RMB'000)	–	–	1,304,980	–	2,405,541	8,718,181	12,428,702
Average forward exchange rate	–	–	N/A	–	N/A	N/A	
Hedge rate	1	1	1	1	1	1	

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2021				
Forward currency contracts	1,671,957	(86,806)	Derivative financial instruments (liabilities)	(103,846)
Cross-currency interest rate swaps	1,267,520	11,596	Derivative financial instruments (assets)	(115,298)
Cross-currency interest rate swaps	38,586,214	(2,260,523)	Derivative financial instruments (liabilities)	(673,908)
Interest rate swap	4,503,675	10,735	Derivative financial instruments (assets)	(8,423)
Interest rate swap	7,691,445	(14,627)	Derivative financial Instruments (liabilities)	29,759

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Forward currency contracts	–	–	Derivative financial instruments (assets)	(24,513)
Forward currency contracts	1,657,085	(72,485)	Derivative financial instruments (liabilities)	(48,003)
Cross-currency interest rate swaps	8,355,358	269,809	Derivative financial instruments (assets)	(1,258,545)
Cross-currency interest rate swaps	28,141,814	(1,756,842)	Derivative financial instruments (liabilities)	(1,614,164)
Interest rate swap	8,837,552	19,009	Derivative financial instruments (assets)	19,009
Interest rate swap	3,591,150	(25,838)	Derivative financial Instruments (liabilities)	(8,661)

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2021		
Foreign currency bank loans amounting to RMB equivalent 41,200,196,000	**(871,716)**	**(41,971)**

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2020		
Foreign currency bank loans amounting to RMB equivalent 38,769,290,000	(2,476,186)	(254,289)

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss RMB'000	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
Year ended 31 December 2021	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	(97,153)	24,474	(72,679)	–	N/A	85,980	(21,049)	64,931	Cost of sales/ other expenses
Cross-currency interest rate swaps	(795,899)	132,488	(663,411)	–	N/A	1,042,911	(178,414)	864,497	Cost of sales/ other expenses
Interest rate swap	21,336	(2,356)	18,980	–	N/A	–	–	–	Cost of sales/ other expenses
Total	(871,716)	154,606	(717,110)	–	N/A	1,128,891	(199,463)	929,428	

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss RMB'000	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
Year ended 31 December 2020	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	(68,028)	18,853	(49,175)	–	N/A	72,302	(19,348)	52,954	Cost of sales/ other expenses
Cross-currency interest rate swaps	(2,400,108)	422,260	(1,977,848)	–	N/A	2,480,959	(442,501)	2,038,458	Cost of sales/ other expenses
Interest rate swap	(8,050)	1,328	(6,722)	–	N/A	–	–	–	Cost of sales/ other expenses
Total	(2,476,186)	442,441	(2,033,745)	–	N/A	2,553,261	(461,849)	2,091,412	

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk

At 31 December 2021, the Group did not have any interest rate swap agreement. At 31 December 2020, the Group had 1 interest rate swap agreement in place with a total notional amount of RMB300,000,000 whereby it receives interest at a fixed rate of 4.80% per annum and pays interest at a variable rate equal to the benchmark interest rate of Renminbi loans of the People's Bank of China on the notional amount. The swap is used to hedge the exposure to changes in the fair value of the fixed rate long-term bond. The critical terms of the interest rate swap substantially match the terms of the borrowing. This hedge was assessed to be highly effective.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the long-term bonds (i.e., the notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to that of the hedged risk component. In assessing the hedge effectiveness, the Group notes that the critical terms of the hedged items and the hedging instruments match each other, and therefore, the changes in the fair value of the hedging instrument exactly offset the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Differences in the timing of interest cash flows of the hedged item and the hedging instrument

- The counterparties' credit risks may impact the fair value movements of the hedging instruments

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk (continued)

The impact of the hedging instrument on the statement of financial position is as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2021				
Interest rate swap	–	–	Derivative financial instruments (assets)	(149)
Interest rate swap	–	–	Derivative financial instruments (liabilities)	–

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Interest rate swap	300,000	149	Derivative financial instruments (assets)	(12,820)
Interest rate swap	–	–	Derivative financial instruments (liabilities)	177

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31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk (continued)

The impact of the hedged item on the statement of financial position is as follows:

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2021				
Bonds amounting to nil	–	–	–	(149)

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Bonds amounting to RMB equivalent 300,000,000	300,149	149	Interest-bearing bank and other borrowings	(12,643)

Derivative financial instruments – transactions not qualifying as hedges:

As at 31 December 2021, cross-currency interest rate swaps with a total nominal amount of USD29,757,000 were not designated for hedge purposes and were measured at fair value through profit or loss.

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31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	133,599,982	122,920,949
Loans and accounts receivables due after 1 year	118,618,025	106,476,358
	252,218,007	229,397,307

23a. Loans and accounts receivables by nature

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Lease receivables (Note 23b)*	244,898,337	229,309,368
Less: Unearned finance income	(22,354,849)	(20,684,176)
Net lease receivables (Note 23b)	222,543,488	208,625,192
Interest receivables*	2,031,502	1,570,797
Factoring receivable (Note 23g)	8,779,387	8,237,411
Entrusted loans (Note 23h)*	1,801,306	2,148,646
Long-term receivables*	17,035,590	11,357,450
Secured loans	429,355	268,984
Subtotal of Interesting-earning assets (Note 23c)**	252,620,628	232,208,480
Less: Provision for lease receivables	(5,920,029)	(6,081,514)
Provision for factoring receivables	(172,191)	(204,052)
Provision for entrusted loans	(142,715)	(74,811)
Provision for long-term receivables	(302,650)	(169,144)
Provision for secured loans	(6,088)	(2,066)
Provision for interesting-earning assets (Note 23d)**	(6,543,673)	(6,531,587)
Notes receivable	1,111,631	439,661
Accounts receivable (Note 23e)*	6,175,030	4,180,032
Provision for accounts receivable (Note 23f)	(1,145,609)	(899,279)
Total of loans and accounts receivables	252,218,007	229,397,307

* These balances included balances with related parties which are disclosed in Note 23j.

** These balances are included in the interest-earning assets disclosed in Note 23c and Note 23d.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b (1). An ageing analysis of lease receivables, determined based on the ageing of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	31 December 2021	31 December2020
	RMB'000	RMB'000
Lease receivables:		
Within 1 year	137,396,849	122,031,640
1 to 2 years	60,391,373	39,530,206
2 to 3 years	15,028,134	34,740,573
3 to 5 years	32,081,981	33,006,949
Total	244,898,337	229,309,368

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Net lease receivables:		
Within 1 year	123,989,595	110,790,626
1 to 2 years	55,407,716	36,242,634
2 to 3 years	13,880,505	31,489,904
3 to 5 years	29,265,672	30,102,028
Total	222,543,488	208,625,192

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b (2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Lease receivables:		
Due within 1 year	132,141,234	122,165,800
Due in 1 to 2 years	70,377,956	68,625,874
Due in 2 to 3 years	29,088,851	27,256,023
Due in 3 to 5 years	12,211,061	10,490,430
Due after 5 years	1,079,235	771,241
Total	244,898,337	229,309,368

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	118,272,479	109,337,798
Due in 1 to 2 years	64,717,422	63,218,357
Due in 2 to 3 years	27,117,948	25,529,827
Due in 3 to 5 years	11,426,671	9,824,101
Due after 5 years	1,008,968	715,109
Total	222,543,488	208,625,192

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

As at 31 December 2021, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB22,510,700,000 (31 December 2020: RMB17,856,783,000) (see Note 31(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23c. Analysis of interest-earning assets

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021				
Interest-earning assets	232,267,394	17,601,822	2,751,412	252,620,628
Allowance for impairment losses	(3,684,601)	(1,704,522)	(1,154,550)	(6,543,673)
Interest-earning assets, net	228,582,793	15,897,300	1,596,862	246,076,955

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020				
Interest-earning assets	210,020,909	19,597,683	2,589,888	232,208,480
Allowance for impairment losses	(3,753,371)	(1,707,979)	(1,070,237)	(6,531,587)
Interest-earning assets, net	206,267,538	17,889,704	1,519,651	225,676,893

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. Movements in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses ("ECLs") prescribed by HKFRS 9 from 1 January 2018, which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-earning assets.

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECLs and forward-looking information.

In response to the covid-19 pandemic, the Group has rolled out certain relief measures on a commercial basis to customers impacted by the coronavirus to support their immediate cash flows and liquidity by offering principal moratorium or tenor extension. Because of the relief measures, the Group may not have the same level of credit risk information about repayment records as compared to what they had in the past. Therefore, the Group extended its effort done to obtain additional information for credit assessment, including those in the covid-19 vulnerable sectors. The Group has paid special attention to the application of macroeconomic data and forward-looking information to ensure that the effect of covid-19 has been sufficiently reflected.

	Year ended 31 December 2021			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III** (Lifetime ECL-impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	3,753,371	1,707,979	1,070,237	6,531,587
Impairment losses for the year	167,774*	25,385	632,594	825,753
Disposal	(235,123)	–	(218,440)	(453,563)
Conversion to Stage I	5,158	(5,158)	–	–
Conversion to Stage II	(5,966)	65,950	(59,984)	–
Conversion to Stage III	–	(89,634)	89,634	–
Write-off	–	–	(825,876)	(825,876)
Recoveries of interest-earning assets previously written off	–	–	466,385	466,385
Exchange differences	(613)	–	–	(613)
At end of the year	3,684,601	1,704,522	1,154,550	6,543,673

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. Movements in provision for interest-earning assets (continued)

	Year ended 31 December 2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III** (Lifetime ECL -impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	3,438,649	1,627,288	469,357	5,535,294
Impairment losses for the year	319,962*	164,871	1,683,836	2,168,669
Disposal	(59,813)	–	(94,875)	(154,688)
Conversion to Stage I	223,766	(223,766)	–	–
Conversion to Stage II	(167,849)	250,719	(82,870)	–
Conversion to Stage III	–	(111,133)	111,133	–
Write-off	–	–	(1,095,262)	(1,095,262)
Recoveries of interest-earning assets previously written off	–	–	78,918	78,918
Exchange differences	(1,344)	–	–	(1,344)
At end of the year	3,753,371	1,707,979	1,070,237	6,531,587

* This includes a loss allowance of RMB2,915,402,000(2020: RMB2,565,171,000) provided for newly originated interest-earning assets, and RMB2,747,628,000 (2020: RMB2,245,209,000) reversed as a result of repayment of existing interest-earning assets.

** The majority of the interest-earning assets are finance lease receivables, under which the lessor owns the related leased asset, so the finance leases are similar to secured lendings. Among these interest-earning assets, 85% (2020:93%) (in terms of carrying amount) of the credit-impaired assets falling in stage 3 in the table above are finance lease receivables, and hence, the related leased assets are owned by the Group. Such leased assets are similar to security and constitute the main source of collection of impaired assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23e. An aging analysis of accounts receivable as at the end of the reporting period is as follows:

Accounts receivable are non-interest-earning and are generally on 60-day terms, while the credit terms for major customers can be extended to 180 days.

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Within 1 year	**5,172,577**	3,104,035
More than 1 year	**1,002,453**	1,075,997
Total	**6,175,030**	4,180,032

23f. Movement in provision for accounts receivable

	31 December 2021	31 December 2020
	RMB'000	RMB'000
At beginning of year	**899,279**	554,106
Charge for the year	**337,519**	374,597
Acquisition of a subsidiary	**–**	14,738
Write-off	**(91,189)**	(44,162)
At end of year	**1,145,609**	899,279

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23f. Movement in provision for accounts receivable (continued)

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

As at 31 December 2021

	Ageing				
	Within 1 year	**1-2 years**	**2-3 years**	**3-5 years**	**Total**
Gross carrying amount (RMB'000)	**5,172,577**	**564,114**	**256,324**	**182,015**	**6,175,030**
Expected credit loss (RMB'000)	**769,243**	**168,111**	**109,804**	**98,451**	**1,145,609**
Average expected credit loss rate	**14.87%**	**29.80%**	**42.84%**	**54.09%**	

As at 31 December 2020

	Ageing				
	Within 1 year	1-2 years	2-3 years	3-5 years	Total
Gross carrying amount (RMB'000)	3,104,035	624,092	231,876	220,029	4,180,032
Expected credit loss (RMB'000)	481,477	183,948	107,860	125,994	899,279
Average expected credit loss rate	15.51%	29.47%	46.52%	57.26%	

23g. An aging analysis of factoring receivables as at the end of the reporting period is as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Within 1 year	**6,158,935**	7,006,976
More than 1 year	**2,620,452**	1,230,435
Total	**8,779,387**	8,237,411

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23h(1). An aging analysis of entrusted loans, determined based on the ageing of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period, is as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Entrusted loans:		
Within 1 year	**888,794**	476,534
1 to 2 years	**278,107**	99,444
2 to 3 years	**46,350**	65,800
3 to 5 years	**588,055**	1,506,868
Total	**1,801,306**	2,148,646

23h(2). The table below illustrates the amounts of entrusted loans the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Entrusted loans:		
Due within 1 year	**906,606**	1,170,723
Due in 1 to 2 years	**478,465**	928,860
Due in 2 to 3 years	**213,285**	24,414
Due in 3 to 5 years	**202,950**	24,649
Total	**1,801,306**	2,148,646

23i. Long term receivables

As at 31 December 2021, the carrying value of long term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB6,478,340,000 (31 December 2020: RMB4,873,854,000) (Note 31(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23j. Balances with related parties

		31 December 2021	31 December 2020
		RMB'000	RMB'000
Joint ventures:			
– Kunming Broadhealthcare (Group) Co., Ltd.			
Entrusted loan	(i)	50,000	50,000
Lease receivables	(iii)	32,456	–
Interest receivables		2,336	–
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Entrusted loan		–	60,000
Long-term receivables	(ii)	135,000	535,000
Interest receivables		575	669
– Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.			
Entrusted loan	(i)	76,963	60,079
Interest receivables		4	–
– Fengyang Qianmen Hospital Co., Ltd.			
Accounts receivables		4,372	4,372
– Shanghai Shengjiang Investment Management Co., Ltd.			
Lease receivables		–	9,408
Associates:			
– Tianjin FIS Asset Management Co., Ltd.			
Long-term receivables		–	915,000
Interest receivables		–	6,278
– Hangzhou Guoya Stomatological Hospital Co., Ltd.			
Lease receivables	(iii)	12,289	–
Interest receivables		50	–
Subsidiaries of the ultimate holding company of the shareholder with significant influence:			
– BlueStar New Chemical Materials Guangxi Branch			
Lease receivables	(iii)	6,904	–
Interest receivables		3	–
– Shenyang Chemical Co., Ltd.			
Lease receivables	(iii)	102,938	–
Interest receivables		796	–
Provision		(15,197)	(33,365)
		409,489	1,607,441

(i) Balances of entrusted loans interest-earning at annual interest rates ranging from 6.18% to 9% (31 December 2020: from 5.81% to 8%).
(ii) Balances of long-term receivables interest-earning at annual interest rates ranging from 4.80% to 5.81% (31 December 2020: from4.75% to 5.81%).
(iii) Balances of lease receivables interest-earning at an annual interest rate of 3.45% to 5.95% (31 December 2020: 12%).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	2021	2020
		RMB'000	RMB'000
Current assets:			
Prepayments		419,479	386,895
Leased assets*		38,203	12,713
Rental and project deposits		126,113	158,000
Other receivables		641,085	341,769
Input VAT		2,001,186	974,291
Amounts deductible against output VAT		195,069	171,835
Subordinated tranches of asset-backed securities/notes (Note 49)		696,880	434,914
Continuing involvement in transferred assets (Note 49)		696,880	434,914
Due from related parties	24a	42,752	37,781
Other current asset		8,691	9,783
Impairment allowance		(91,626)	(58,897)
		4,774,712	2,903,998
Non-current assets:			
Rental and project deposits due after 1 year		138,042	9,863
Subordinated tranches of asset-backed securities/notes (Note 49)		2,161,894	4,064,204
Continuing involvement in transferred assets (Note 49)		2,161,894	4,064,204
Long-term other receivables		76,240	370,705
Others		244,122	238,839
Impairment allowance		(167,980)	(167,980)
		4,614,212	8,579,835
		9,388,924	11,483,833

* The leased assets arise from the situations where the Group had already made payments to vendors or suppliers of machinery and equipment, but the terms of the lease contracts of the said machinery and equipment have not commenced. The Group records these paid amounts under leased assets among its current assets as such assets had already been earmarked for leases to customers. Once the terms of a lease contract commence, the Group ceases to recognise the amount relating to the leased assets and recognises the lease receivables due under the lease contract.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

24a. Balances with related parties

		2021	2020
		RMB'000	RMB'000
Subsidiaries of the ultimate holding company of a shareholder with significant influence:			
Beijing Chemsunny Property Co., Ltd.	(i)	2,493	2,493
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	(i)	175	175
Joint ventures:			
Gold Chance Shipping Limited	(i)	17,782	16,707
Teamway Shipping Limited	(i)	20,461	17,438
Fengyang Qianmen Hospital Co., Ltd.	(i)	565	474
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	(i)	398	102
Kunming Broadhealthcare Investment Co., Ltd.	(i)	–	392
Associates:			
Shanghai Yijia Construction Development Co., Ltd.	(i)	878	–
		42,752	37,781

(i) Balances with related parties were unsecured and non-interest-earning.

25. CONTRACT ASSETS

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Contract assets arising from construction services	276,859	110,132

Contract assets are initially recognised for revenue earned from the provision of related construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at 31 December 2021 is as follows:

	RMB'000
Within one year	276,859

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31 December 2021

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Fee income received in advance	Government special subsidy	Share-based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2021	238,006	955,044	142,012	2,299,224	1,366,140	172,697	54,131	15,375	5,242,629
(Charged)/credited to the statement of profit or loss during the year	156,250	90,189	(49,830)	119,674	16,394	(121,077)	–	19,020	230,620
Charged to reserve	–	–	–	–	–	–	(44,857)	–	(44,857)
Exchange differences	–	–	–	(75)	–	(10)	–	–	(85)
Gross deferred tax assets at 31 December 2021	394,256	1,045,233	92,182	2,418,823	1,382,534	51,610	9,274	34,395	5,428,307

	Fee income received in advance	Government special subsidy	Share-based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2020	262,280	790,325	82,900	1,719,551	1,267,843	94,445	73,539	11,808	4,302,691
(Charged)/credited to the statement of profit or loss during the year	(24,274)	164,719	59,112	576,403	93,224	78,012	–	1,530	948,726
Acquisition of subsidiaries	–	–	–	3,769	5,073	–	–	2,037	10,879
Charged to reserve	–	–	–	–	–	–	(19,408)	–	(19,408)
Exchange differences	–	–	–	(499)	–	240	–	–	(259)
Gross deferred tax assets at 31 December 2020	238,006	955,044	142,012	2,299,224	1,366,140	172,697	54,131	15,375	5,242,629

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26. DEFERRED TAX (continued)

Deferred tax liabilities

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2021	142,516	83,046	9,385	108,859	343,806
(Credited)/charged to the statement of profit or loss during the year	(5,263)	137,199	11,770	(66,921)	76,785
Gross deferred tax liabilities at 31 December 2021	137,253	220,245	21,155	41,938	420,591

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2020	89,363	133,419	9,385	125,920	358,087
Credited to the statement of profit or loss during the year	(807)	(50,373)	–	(17,061)	(68,241)
Arising from acquisition of subsidiaries	53,960	–	–	–	53,960
Gross deferred tax liabilities at 31 December 2020	142,516	83,046	9,385	108,859	343,806

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31 December 2021

26. DEFERRED TAX (continued)

For the purpose of the presentation of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	5,394,566	5,142,900
Net deferred tax liabilities recognised in the consolidated statement of financial position	386,850	244,077

As at 31 December 2021, the Group had tax losses arising in Hong Kong of RMB27,631,000 (31 December 2020: RMB338,602,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB154,208,000 (31 December 2020: RMB433,318,000) that will expire in one to five years for offsetting against future taxable profits. The Group has recognised deferred tax assets in respect of the tax losses mentioned above. Aside from this, as at 31 December 2021, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses of RMB2,510,731,000 (31 December 2020: RMB2,245,235,000) and RMB1,283,506,000 (31 December2020: RMB643,014,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the Mainland China subsidiaries' profits generated from 2012 onwards will be retained by the Mainland China subsidiaries for the use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. As at 31 December 2021, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB1,487,911,000 (31 December 2020: RMB1,151,682,000).

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27. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2021	2020
	RMB'000	RMB'000
Cash and bank balances	**19,888,796**	15,352,104
Time deposits	**10,000**	–
	19,898,796	15,352,104
Less:		
Pledged deposits	**2,052,256**	1,371,054
Restricted bank deposits related to asset securitisations	**2,107,358**	2,090,749
Restricted bank deposits related to collective fund trusts	**68,192**	13,066
Restricted bank deposits related to litigation	**11,954**	–
Cash and cash equivalents	**15,659,036**	11,877,235

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB18,804,358,000 (31 December 2020: RMB14,549,773,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at either fixed or floating rates based on daily bank deposit rates.

As at 31 December 2021, cash of RMB271,782,000 (31 December 2020: RMB379,104,000) was pledged for bank and other borrowings (Note 31).

As at 31 December 2021, cash of RMB1,780,474,000 (31 December 2020: RMB991,950,000) was pledged for bank acceptances, letters of credit and others.

As at 31 December 2021, cash of RMB254,127,000 (31 December 2020: RMB259,245,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

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28. INVENTORIES

	2021	2020
	RMB'000	RMB'000
Finished goods	**266,874**	286,129
Work in process	**114,597**	15,901
Raw materials	**177,549**	95,351
	559,020	397,381

29. TRADE AND BILLS PAYABLES

		2021	2020
	Note	RMB'000	RMB'000
Current:			
Bills payable		**10,946,041**	6,133,902
Trade payables		**2,942,356**	1,738,557
Due to related parties	29a	**1,925**	7,951
		13,890,322	7,880,410

An ageing analysis of the trade and bills payables as at the end of the reporting period is as follows:

	2021	2020
	RMB'000	RMB'000
Within 1 year	**13,767,048**	7,618,459
1 to 2 years	**51,180**	167,303
2 to 3 years	**14,036**	40,353
3 years and beyond	**58,058**	54,295
	13,890,322	7,880,410

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29. TRADE AND BILLS PAYABLES (continued)

29a. BALANCES WITH RELATED PARTIES

	2021	2020
	RMB'000	RMB'000
Due to related parties:		
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	1,925	7,951

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

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30. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Current:			
Lease deposits, entrusted loan deposits and factoring deposits due within one year		**5,926,501**	5,541,887
Salary payables		**1,036,360**	840,112
Welfare payables		**425,691**	179,436
Advances from customers		**840,604**	690,561
Due to related parties	30a	**63,996**	437,817
Contract liabilities	30b	**417,702**	534,306
Other taxes payable		**1,007,362**	839,028
Interest payable		**2,267,157**	2,108,478
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations		**2,107,358**	2,090,749
Funds collected on behalf of collective fund trusts		**68,192**	10,317
Funds collected on behalf of collective fund trusts – due to related parties	30a	**–**	2,749
Provision for credit commitments		**52,968**	30,436
Other payables		**1,840,380**	1,442,087
Dividend payables		**44,115**	40,759
Continuing involvement in transferred assets		**696,880**	434,914
		16,795,266	15,223,636
Non-current:			
Lease deposits, entrusted loan deposits and factoring deposits due after one year		**9,234,345**	15,601,129
Contract liabilities	30b	**664,917**	362,279
Other payables		**59,862**	339,444
Quality guarantee deposit		**1,333**	1,333
		9,960,457	16,304,185
		26,755,723	31,527,821

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31 December 2021

30. OTHER PAYABLES AND ACCRUALS (continued)

30a. BALANCES WITH RELATED PARTIES

	2021	2020
	RMB'000	RMB'000
Due to related parties:		
Subsidiary of the ultimate holding company of a shareholder with significant influence:		
Shenyang Chemical Co., Ltd.	10,000	–
Joint ventures:		
Fengyang Qianmen Hospital Co., Ltd.	268	268
Kunming Broadhealthcare (Group) Co., Ltd.	1	1
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	7,498	8,509
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	2,053	2,033
Grand Flight Investment Management Co., Ltd.	43,272	26,782
Shanghai Shengjiang Investment Management Co., Ltd.	–	273
Guangzhou Kangda Industrial Technology Co., Ltd.	–	399,951
Yantai Yuanxin Zhongda Investment Co., Ltd.	154	–
	53,246	437,817
Associates:		
Hangzhou Guoya Stomatological Hospital Co., Ltd.	750	–
CITIC – Far Eastern Leasing portfolio investment collective fund trust	–	67
SCHTRUST- Far Eastern Leasing portfolio investment collective fund trust	–	2,682
	750	2,749
	63,996	440,566

Except for the amounts due to Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare Investment Co., Ltd., Grand Flight Investment Management Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. and Guangzhou Kangda Industrial Technology Co., Ltd., which bear interest at an interest rate of 1.485% per annum, amounts due to other related parties are unsecured and non-interest-bearing.

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30. OTHER PAYABLES AND ACCRUALS (continued)

30b. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2021	31 December 2020	1 January 2020
	RMB'000	RMB'000	RMB'000
Contract liabilities			
Short-term:			
– Sale of goods	25,904	23,662	–
– Service fee	391,798	510,644	439,232
Long-term:			
– Service fee	664,917	362,279	230,196
Total contract liabilities	1,082,619	896,585	669,428

Contract liabilities include short-term advances received to deliver goods and services. The increase in contract liabilities in 2021 and 2020 was mainly due to the increase in advances received from customers in relation to the provision of services at the end of the year.

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31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	4.30~5.50	2022	26,000	2.00~5.00	2021	147,005
Current portion of long term bank loans – secured	2.65~6.41	2022	5,180,588	2.71~6.41	2021	4,853,992
Bank loans – unsecured	0.98~5.50	2022	17,073,622	1.05~5.00	2021	19,481,295
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	–	–	–	4.19	2021	10,000
Current portion of long term bank loans – unsecured	0.82~5.35	2022	33,382,941	0.84~5.46	2021	26,454,673
Other loans – secured	2.97~5.75	2022	3,332,088	3.93~6.78	2021	1,293,759
Other loans – unsecured	5.90	2022	4,043,613	6.71	2021	6,330,000
Bonds – secured*	3.15~5.37	2022	11,136,443	3.15~4.23	2021	5,677,022
Bonds – unsecured*	2.87~5.19	2022	48,519,188	1.50~6.40	2021	39,683,705
			122,694,483			103,931,451
Non-current						
Bank loans – secured	2.65~5.50	2023~2041	6,781,403	2.71~6.41	2022~2045	6,676,568
Bank loans – unsecured	1.00~5.35	2023~2031	48,195,647	0.84~7.70	2022~2031	41,146,284
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	–	–	–	4.19	2022~2023	193,270
Other loans – secured	2.97~5.75	2023~2025	4,130,118	3.93~5.16	2022~2025	2,313,483
Other loans – unsecured	5.55~5.63	2023~2024	1,322,701	5.50~5.90	2022	1,201,000
Bonds – secured*	3.15~5.37	2023~2024	4,439,882	3.15~4.23	2022~2023	1,255,760
Bonds – unsecured*	2.63~5.19	2023~2026	39,315,422	3.10~5.19	2022~2025	45,574,265
			104,185,173			98,360,630
Convertible bonds – host debts (Note 32)	3.21~4.45	2025~2026	3,321,086	3.15~4.45	2025	2,924,074
			230,200,742			205,216,155

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31 December 2021

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2021	2020
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	55,663,151	50,936,965
In the second year	29,884,530	27,979,657
In the third to fifth years, inclusive	23,522,319	18,829,398
Beyond five years	1,570,201	1,013,797
	110,640,201	98,759,817
Loans from subsidiaries of the ultimate holding company of a shareholder repayable:		
Within one year or on demand	–	10,000
In the second year	–	10,000
In the third to fifth years, inclusive	–	183,270
	–	203,270
Other borrowings repayable:		
Within one year or on demand	67,031,332	52,984,486
In the second year	37,388,274	28,873,605
In the third to fifth years, inclusive	15,140,935	24,394,977
	119,560,541	106,253,068
	230,200,742	205,216,155

(a) As at 31 December 2021, the Group's bank and other borrowings were secured by the pledge of or the transfer of certain of the Group's lease receivables and long-term receivables amounting to RMB24,124,737,000 (31 December 2020: RMB16,502,850,000) and RMB5,029,352,000 (31 December 2020: RMB3,806,937,000), respectively.

(b) As at 31 December 2021, the Group's bank borrowings amounting to RMB108,836,000 (31 December 2020: RMB142,005,000) were secured by the pledge of cash.

(c) As at 31 December 2021, the Group's bank and other borrowings, secured by the Group's leasehold land, and property, plant and equipment, amounted to RMB5,872,434,000 (31 December 2020: RMB1,765,797,000). The Group had not provided any guarantees for other entities (31 December 2020: Nil).

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32. CONVERTIBLE BONDS

On 8 July 2020, Universe Trek Limited, a wholly-owned subsidiary of the Company issued 2.5 percent guaranteed convertible bonds with a nominal value of USD$300,000,000 (the “300 million 2.5 percent Bonds”). The 300 million 2.5 percent Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the year. The 300 million 2.5 percent Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK$8.33 per share at any time on or after 18 August 2020 and up to the close of business on the date falling ten days prior to 8 July 2025. The number of Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond to be converted translated into Hong Kong dollars at the fixed rate of HK$7.7503 = US$1.00 by the Conversion Price in effect on the relevant Conversion Date. The conversion price of the 300 million 2.5 percent Bonds was adjusted from HK$8.33 per share to HK$7.92 per share with effect from 31 July 2020 as a result of the declaration of the final dividend for the year ended 31 December 2019, and was further adjusted from HK$7.92 per share to HK$7.58 per share with effect from 30 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020. The 300 million 2.5 percent Bonds are redeemable at the option of the bondholders at 100.00 percent of its principal amount on 8 July 2023. Any 300 million 2.5 percent Bonds not converted will be redeemed on 8 July 2025 at 100.00 per cent of its principal amount. The 300 million 2.5 percent Bonds carry interest at a rate of 2.5 percent per annum, which is payable semi-annually in arrears on 8 July and 8 January.

On 4 December 2020, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD$200,000,000 (the “200 million zero coupon Bonds I”). The 200 million zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. During the year, all the outstanding 200 million zero coupon Bonds have been fully converted into ordinary shares of the Company in accordance with the terms and conditions of the 200 million zero coupon Bonds.

On 15 June 2021, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD$250,000,000 (the “250 million zero coupon Bonds”). The 250 million zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the year. The 250 million zero coupon Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK$10.20 per share at any time on or after 26 July 2021 and up to the close of business on the date falling ten days prior to 15 June 2026. The number of shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond to be converted translated into Hong Kong dollars at the fixed rate of HK$7.7614 = US$1.00 by the conversion price in effect on the relevant conversion date. The conversion price of the 250 million zero coupon Bonds was adjusted from HK$10.20 per share to HK$9.76 per share with effect from 30 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020. The 250 million zero coupon Bonds are redeemable at the option of the bondholders at 106.15 percent of its principal amount on 15 June 2024. Any 250 million zero coupon Bonds not converted will be redeemed on 15 June 2026 at 110.46 percent of its principal amount.

On 5 August 2021, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD$200,000,000 (the “200 million zero coupon Bonds II”). The 200 million zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. During the year, all the outstanding 200 million zero coupon Bonds have been fully converted into ordinary shares of the Company in accordance with the terms and conditions of the 200 million zero coupon Bonds.

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32. CONVERTIBLE BONDS (continued)

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2021	2020
	RMB'000	RMB'000
Nominal value of convertible bonds issued at 31 December	3,506,635	3,416,350
Equity component	(233,750)	(338,050)
Direct transaction costs attributable to the equity component	(2,660)	(3,161)
Direct transaction costs attributable to the liability component	(38,914)	(30,489)
Liability component at the issuance date	3,231,311	3,044,650
Interest expense	118,442	42,993
Exchange realignment	(28,667)	(163,569)
Liability component at 31 December (Note 31)	3,321,086	2,924,074

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33. DEFERRED REVENUE

	Government special subsidies	
	2021	2020
	RMB'000	RMB'000
At the beginning of year	**1,064,019**	1,054,306
Additions during the year	**884,917**	674,915
Amortised to the statement of profit or loss	**(483,742)**	(665,202)
At the end of year	**1,465,194**	1,064,019

(i) Government special subsidies

For the year ended 31 December 2021, the Group received a government special subsidy of RMB209,862,000 (2020: RMB177,067,000), which was mainly granted in accordance with the policies on the Shanghai Pudong New Area government financial subsidy and the financial support funds for economic development. In addition, the Group also received a government special subsidy of RMB610,270, 000 (2020: RMB354,490,000) due to policies to support the finance lease industry of the Tianjin Dongjiang bonded port area. In addition, the Group received a government special subsidy of RMB62,250,000 (2020: RMB104,020,000) due to policies of Putuo District to upgrade and develop the industry support fund of enterprises. Those special subsidies are granted for certain purposes only. The amortisation of those special subsidies reduced the expense to which it related or reduced the amortisation charges of the related assets.

34. SHARE CAPITAL

	Number of shares	Amounts
		HK$
Issued and fully paid ordinary shares:		
At 31 December 2020 (Note (i))	3,977,655,290	13,220,189,000
At 31 December 2021 (Note (i))	4,313,987,786	16,404,418,000

Note:

(i) The Company purchased its own shares through a trust under a share award scheme (Note 36), which were presented as shares held for the share award scheme.

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34. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Equivalent share capital
		HK$'000	RMB'000
At 1 January 2021 and 31 December 2020	3,977,655,290	13,220,189	10,397,104
Share options exercised (Note (ii))	9,953,058	82,480	69,090
Conversion shares issued (Note (iii))	326,379,438	3,101,749	2,576,669
As at 31 December 2021	4,313,987,786	16,404,418	13,042,863

Notes:

(ii) The subscription rights attaching to 786,475, 930,283, 3,106,115, 2,038,602, 1,357,379, 1,180,756 and 553,448 share options were exercised at the subscription price of HK$5.86, HK$7.17, HK$5.714, HK$6.82, HK$7.36, HK$7.618 and HK$6.7 per share, respectively (Note 35), resulting in the issue of 9,953,058 shares for a total cash consideration, after expenses, of HK$65,624,000. An amount of HK$16,856,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(iii) During the year, there were two conversions of the Convertible Bonds in the principal amount of US$200,000,000, US$200,000,000 with the corresponding equity component of US$27,462,000, US$9,790,000 and liability component of US$171,738,000, US$188,856,000. The Company has issued a total of 326,379,438 conversion shares to the bondholders at the conversion price of HK$8.56, HK$10.7 per conversion share.

35. SHARE OPTION SCHEME

Pursuant to a resolution in writing passed on 7 July 2014 by the shareholders of the Company, a share option scheme (the "Share Option Scheme") has been adopted by the Company.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants and certain qualified participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any subsidiary (the "Grantees"). The total number of new shares in respect of which options may be granted under the Share Option Scheme shall not exceed 4% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting, which is 131,696,000 shares. The Share Option Scheme will be valid for 10 years from the date of its adoption.

Since the total share options under the 2014 Share Option Scheme have been fully granted, the Company adopted a New Share Option Scheme which was approved by the Shareholders at the Annual General Meeting on 5 June 2019. The total number of new Shares in respect of which the Share Options may be granted under the New Share Option Scheme shall not exceed 4% of the Company's issued shares as at the date of approval of the New Share Option Scheme by the shareholders, which is 158,167,904 shares.

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35. SHARE OPTION SCHEME (continued)

The offer of a grant of share options ("Share Options") may be accepted upon payment of a nominal consideration of HK$1 in total by the Grantees subject to any early termination, and the share option scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme is approved by the shareholders of the Company. The vesting of the share options is mainly subject to fulfilment of the Company's performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the higher of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; and(ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date. The Shares do not carry nominal value.

On 26 July 2021, the Board announced that, the Company has resolved the eighth offer to grant Share Options to the Grantees under the Share Option Scheme to subscribe for a total of 33,847,932 ordinary shares in the capital of the Company.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price* per share option	Number of share options	
	HK$	**2021**	2020
11 July 2024	5.86	**4,256,643**	5,044,475
3 July 2025	7.17	**7,978,819**	8,948,403
15 June 2026	5.714	**12,799,021**	16,109,896
20 June 2027	6.82	**14,607,996**	19,404,581
18 July 2028	7.36	**16,952,183**	22,641,629
19 July 2029	7.618	**16,521,715**	21,962,154
23 July 2030	6.7	**20,871,143**	23,066,258
26 July 2031	8.4	**33,079,659**	–
		127,067,179	117,177,396

* Movements in the number of the Share Options outstanding and their related weighted average exercise prices granted under the Share Option Scheme during the year are as follows:

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35. SHARE OPTION SCHEME (continued)

Exercise price per share option (HK$)	Date of grant 2020	Outstanding as at 1 January December 2020	Granted during the year ended 31 December 2020	Forfeited during the year ended 31 December 2020	Exercised during the year ended 31 December 2020	Outstanding as at 31 December 2021	**Granted during the year ended 31 December 2021**	**Forfeited during the year ended 31 December 2021**	**Exercised during the year ended 31 December 2021**	**Outstanding as at 31 December 2021**
5.86	11 July 2014	7,838,563	–	(88,664)	(2,705,424)	5,044,475	–	(1,357)	(786,475)	4,256,643
7.17	3 July 2015	13,273,029	–	(2,002,961)	(2,321,665)	8,948,403	–	(39,301)	(930,283)	7,978,819
5.714	15 June 2016	26,459,987	–	(3,217,891)	(7,132,200)	16,109,896	–	(204,760)	(3,106,115)	12,799,021
6.82	20 June 2017	29,099,616	–	(6,504,725)	(3,190,310)	19,404,581	–	(2,757,983)	(2,038,602)	14,607,996
7.36	18 July 2018	32,096,814	–	(8,538,836)	(916,349)	22,641,629	–	(4,332,067)	(1,357,379)	16,952,183
7.618	19 July 2019	30,422,016	–	(7,889,546)	(570,316)	21,962,154	–	(4,259,683)	(1,180,756)	16,521,715
6.70	23 July 2020	–	24,990,529	(1,924,271)	–	23,066,258	–	(1,641,667)	(553,448)	20,871,143
8.40	26 July 2021	–	–	–	–	–	33,847,932	(768,273)	–	33,079,659
Total number at the end of the year		139,190,025	24,990,529	(30,166,894)	(16,836,264)	117,177,396	33,847,932	(14,005,091)	(9,953,058)	127,067,179
Weighted average exercise price (HK$)		6.89	6.70	7.08	6.30	6.88	8.40	7.29	6.59	7.27

4,256,643 (2020: 5,044,475), 7,978,819 (2020: 8,948,403), 12,799,021 (2020: 16,109,896), 14,607,996 (2020: 11,690,472), 10,087,171 (2020: 6,182,803), 9,774,236 (2020: 6,082,073) and 6,573,226 (2020: nil) share options which were granted on 11 July 2014, 3 July 2015, 15 June 2016 and 20 June 2017, 18 July 2018, 19 July 2019 and 23 July 2020, respectively, were vested and exercisable, but not yet exercised during the year.

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2021 was RMB188,561,000 (31 December 2020: RMB171,197,000). The weighted average fair values were RMB1.40, RMB1.47, RMB1.50 and RMB1.57 per option for each of the four tranches with one-year, two-year, three-year and four-year (31 December 2020: The weighted average fair values were RMB1.27, RMB1.43, RMB1.48 and RMB1.58 per option for each of the four tranches with one-year, two-year, three-year and four-year) vesting periods, respectively. The Group recognised a share option expense of RMB28,567,000 (2020: RMB29,856,000) during the year ended 31 December 2021 in employee benefit expense.

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31 December 2021

35. SHARE OPTION SCHEME (continued)

The fair values of the Share Options were estimated as at their respective dates of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

	2021	2020
Expected dividend yield (%)	4.29	5.09
Expected volatility (%)	33.14	33.53
Risk-free interest rate (%)	1.07	0.38
Validity period of the share options (year)	10	10
Share price (HK$ per share)	8.40	6.48
Expected exercise trigger multiple	2.00	2.00

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

At 31 December 2021, the Company had 60,990,067 (31 December 2020: 63,119,274) non-vested share options (including 12,978,897 (31 December 2020: 12,569,591) non-vested share options granted to certain executive directors, 21,597,515 (31 December 2020: 20,026,399) non-vested share options granted to certain employees among five highest paid employees and 28,680,555 (31 December 2020: 22,670,877) non-vested share options granted to certain key management personnel) outstanding under the Share Option Scheme. Should all of them be vested, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 60,990,067 (31 December 2020: 63,119,274) additional ordinary shares of the Company.

At the date of approval of these financial statements, the Company had 127,067,179 (2020: 117,177,396) share options outstanding under the Share Option Scheme, which represented approximately 3.03% (2020: 3.05%) of the Company's shares in issue as at that date.

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36. RESTRICTED SHARE AWARD SCHEME

On 11 June 2014, the Board announced that it has adopted a share award scheme (the "Share Award Scheme"), under which some restricted shares (the "Restricted Shares") will be held on trust for the relevant selected grantees (the "Selected Grantees") until such Restricted Shares are vested with the relevant Selected Grantees in accordance with the rules of the Share Award Scheme. The number of Restricted Shares under the Share Award Scheme shall not exceed 197,544,000, representing 6% of the Company's issued share capital as at the date of approval of the Share Award Scheme by the Board. The Share Award Scheme shall be effective from its adoption until it is terminated by the Board or shareholders in a general meeting.

Pursuant to the rules of the Share Award Scheme, the Company has set up a trust, and a third party company acts as the trustee (the "Trustee"). The Company's shares may be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the Selected Grantees until such shares are vested with the Selected Grantees in accordance with the provisions of the Share Award Scheme.

Since the number of the Restricted Shares administered by the Trustee has reached the maximum limit as stipulated in the Share Award Scheme, the Board has resolved to make certain amendments to the Share Award Scheme. The Board resolved to refresh the maximum limit of the Shares as Restricted Shares under the Restricted Share Award Scheme (the "Maximum Award Scheme Limit") to the sum of the following numbers of the Shares: (a) 6% of the total number of issued Shares as at the date of approval of the Restricted Share Award Scheme by the Board on 11 June 2014, being 197,544,000 Shares; and (b) 6% of the total number of issued Shares as at the date of approval of the amendments to the Restricted Share Award Scheme by the Board on 20 March 2019, being 237,251,856 Shares.

The vesting of the Restricted Shares under the Share Award Scheme is mainly subject to the fulfilment of the Company's performance targets, Selected Grantees remaining as an employee of the Group, as well as Selected Grantees achieving a specified level in annual personal performance evaluations.

The following Restricted Shares were outstanding under the Share Award Scheme during the year:

	Number of Restricted Shares
At 1 January 2020	92,866,665
Granted	37,485,793
Vested	(28,704,663)
Forfeited	(30,884,149)
At 31 December 2020 and 1 January 2021	70,763,646
Granted	50,771,897
Vested	(20,844,449)
Forfeited	(19,462,524)
At 31 December 2021	**81,228,570**

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36. RESTRICTED SHARE AWARD SCHEME (continued)

20,844,449 (31 December 2020: 28,704,663) Restricted Shares were vested during the year. The vesting periods of the Restricted Shares outstanding as at the end of the reporting period are as follows:

2021

Number of Restricted Shares	Vesting period
10,121,196	19 July 2019 to 19 July 2022
10,723,438	23 July 2020 to 23 July 2022
10,723,438	23 July 2020 to 23 July 2023
16,553,499	26 July 2021 to 26 July 2022
16,553,499	26 July 2021 to 26 July 2023
16,553,500	26 July 2021 to 26 July 2024
81,228,570	

2020

Number of Restricted Shares	Vesting period
12,344,155	18 July 2018 to 18 July 2021
11,910,052	19 July 2019 to 19 July 2021
11,910,052	19 July 2019 to 19 July 2022
11,533,129	23 July 2020 to 23 July 2021
11,533,129	23 July 2020 to 23 July 2022
11,533,129	23 July 2020 to 23 July 2023
70,763,646	

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36. RESTRICTED SHARE AWARD SCHEME (continued)

At 31 December 2021, the Company had 81,228,570 (31 December 2020: 70,763,646) non-vested Restricted Shares (including 18,684,414 (31 December 2020: 14,446,951) non-vested Restricted Shares granted to certain executive directors, 30,163,581 (31 December 2020: 23,297,342) non-vested Restricted Shares granted to certain employees among five highest paid employees and 39,849,053 (31 December 2020: 26,414,504) non-vested Restricted Shares granted to certain key management personnel) outstanding under the Share Award Scheme.

Under the Share Award Scheme, there were shares of 115,803,918 (31 December 2020: 136,648,367) in total amounting to RMB731,556,000 (31 December 2020: RMB866,947,000), i.e. at a weighted average price of RMB6.32 (2020: RMB6.34), held by the trust at 31 December 2021. The movements of the shares held for the Share Award Scheme are as follows:

	Number of shares	Amount
		RMB'000
At 1 January 2020	165,353,030	1,070,078
Purchase of shares under Share Award Scheme	–	–
Vested	(28,704,663)	(203,131)
At 31 December 2020 and 1 January 2021	136,648,367	866,947
Purchase of shares under Share Award Scheme	–	–
Vested	(20,844,449)	(135,391)
At 31 December 2021	**115,803,918**	**731,556**

The fair value (measured as at the grant dates) of the Restricted Shares that were outstanding as at 31 December 2021 was RMB487,968,000 (31 December 2020: RMB391,168,000). The weighted average fair values were RMB6.71, RMB5.97 and RMB5.72 per share (31 December 2020: RMB5.56, RMB5.64 and RMB5.45 per share) for each of the three tranches with one-year, two-year and three-year vesting periods (31 December 2020: for three tranches with one-year, two-year and three-year vesting periods), respectively. The Group recognised an amount of RMB71,194,000 (2020: RMB132,990,000) in employee benefit expense during the year ended 31 December 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

36. RESTRICTED SHARE AWARD SCHEME (continued)

The fair value of the Restricted Shares granted during the year was estimated as at their respective dates of grant, using a no-arbitrage model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the main inputs to the model used:

	2021	2020
Expected dividend yield (%)	4.29	5.09
Share price (HK$ per share)	8.40	6.48

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity of the financial statements.

The Group's capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the reorganisation as defined in the Prospectus, over the nominal value of the Company's shares issued as consideration plus the amount of borrowings capitalised in excess of the nominal value of shares issued.

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profits after taxation, as determined under the PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividends to shareholders.

The special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary, Shanghai Horizon Construction Engineering Equipment Co., Ltd. and Shanghai Hongjin Equipment & Engineering Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

The share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme and the Share Award Scheme which are yet to be exercised. The amount will be transferred to share capital or shares held for the Share Award Scheme when the related Share Options are exercised or when the Restricted Shares are vested.

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38. PERPETUAL SECURITIES

On 14 June 2017, the Company issued US$300,000,000 perpetual capital securities (the "Perpetual Securities") at an initial distribution rate of 4.35% under the US$4,000,000,000 medium term note and perpetual securities programme updated on 1 June 2017 by the Company. The Perpetual Securities are unsecured.

Distributions of the Perpetual Securities may be paid semi-annually in arrears on 14 June and 14 December of each year (the "Distribution Payment Date") and may be deferred at the discretion of the Company unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred. Following a deferral, arrears of distributions are cumulative.

The Perpetual Capital Securities have no fixed maturity date and are callable at the Company's option in whole on 14 June 2022 (the "First Call Date") or on any Distribution Payment Date falling after the First Call Date at their principal amounts together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amounts). The applicable distribution rate will be reset, (i) in respect of the period from, and including, the Issue Date to, but excluding, 14 June 2022 (the "First Call Date") at 4.35% per annum (the "Initial Distribution Rate"); and (ii) in respect of the period (A) from, and including, the First Call Date to, but excluding, the immediately following reset date (the "Reset Date") and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the day immediately following the Reset Date. The relevant reset distribution rate shall be the specified US treasury rate as at each relevant Reset Date plus the initial spread 2.62% plus 5.00% per annum.

On 4 December 2017, King Talent Management Limited ("King Talent"), a wholly-owned subsidiary of the Company, issued US$400,000,000 guaranteed subordinated perpetual capital securities (the "Guaranteed Perpetual Securities") at an initial distribution rate of 5.60% per annum. The Company has guaranteed, on a subordinated basis, all sums falling due under the terms of the Guaranteed Perpetual Securities.

The Company may, at its sole discretion, elect to defer (in whole or in part) a Distribution which is otherwise scheduled to be paid by King Talent on a Distribution Payment Date (i.e. 4 June and 4 December of each year, starting from 4 June, 2018) to the next Distribution Payment Date prior to the relevant Distribution Payment Date, unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred.

The Guaranteed Perpetual Securities have no fixed maturity date, which may be redeemed at the option of King Talent in whole, but not in part, on the First Reset Date or on any Distribution Payment Date thereafter at their principal amount together with all outstanding arrears of distribution and any Additional Distribution Amounts (if any) and any Distribution accrued to the date fixed for redemption. The distribution rate will be reset for the period (A) from and including the Issue date to, but excluding 4 December 2022 (the "First Reset Date"), the initial distribution rate; (B) for each reset distribution period from and including the First Reset Date to, but excluding 4 December 2037, the relevant reset distribution rate; and (C) for each reset distribution period from and including 4 December 2037 to, but excluding the redemption date of the securities, if any, the relevant reset distribution rate plus 5.00 percent per annum. The relevant reset distribution rate shall be the specified US treasury rate as at each relevant Reset Date plus the initial spread of 3.521%.

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31 December 2021

38. PERPETUAL SECURITIES (continued)

On 24 July 2019, Far Eastern Leasing completed the issuance of perpetual trusted loans (the "Perpetual Loans") in an amount of RMB49,850,000 in the PRC. The basic term of the Perpetual Loans will be 5 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 6.0% per annum.

Distributions of the Perpetual Loans may be paid annually in arrears on 24 July of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 18 February 2020, Far Eastern Leasing completed the issuance of renewable corporate bonds (Epidemic Prevention and Control Securities) (the "Renewable Corporate Bonds") (Phase One) in an amount of RMB2,000,000,000 in the PRC. The Renewable Corporate Bonds (Phase One) consist of Variety One and Variety Two. The issue size of Variety One was RMB1,500,000,000 and the basic term will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 3.87% per annum. The issue size of Variety Two was RMB500,000,000 and the basic term will be 3 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 4.13% per annum.

Distributions of the Renewable Corporate Bonds (Phase One) may be paid annually in arrears on 18 February of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 18 June 2020, Far Eastern Leasing completed the issuance of renewable corporate bonds (the "Renewable Corporate Bonds") (Phase Two) in an amount of RMB700,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase Two) will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 3.98% per annum.

Distributions of the Renewable Corporate Bonds (Phase Two) may be paid annually in arrears on 18 June of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 25 December 2020, Far Eastern Leasing completed the issuance of perpetual trusted loans (the "Perpetual Trust Loans") in an amount of RMB970,000,000 in the PRC. The basic term of the Perpetual Trust Loan will be 1 year (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 5.65% per annum.

Distributions of the Perpetual Trust Loan may be paid every three months in arrears on and after 21 March of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The distribution rate will be reset every year. The relevant reset distribution rate shall be the higher of (A) the coupon distribution rate of 5.65% per annum plus 3%, and (B) the specified arithmetic average of the yields of PRC treasury bonds plus the initial spread plus 3%. The Perpetual Trust Loans have been fully redeemed on 23 December 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

38. PERPETUAL SECURITIES (continued)

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loans other than an unforeseen liquidation of the Company.

The direct transaction costs attributable to the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loan amounted to RMB5,451,000, RMB16,309,000, RMB64,000, RMB6,000,000 and nil, respectively.

For the year ended 31 December 2021, the profits attributable to holders of the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loan (collectively "Perpetual Securities"), based on the applicable distribution rates, were RMB84,358,000 (2020: RMB86,569,000), RMB148,620,000 (2020: RMB154,433,000), RMB2,785,000 (2020: RMB2,869,000), RMB71,313,000 (2020: RMB65,538,000), RMB25,794,000 (2020: RMB14,383,000) and RMB51,212,000 (2020: RMB1,005,000), respectively, and the distribution made by the Group to the holders of the Perpetual Securities was RMB377,769,000 (2020: RMB499,070,000).

39. DISPOSAL OF SUBSIDIARIES

In January 2021, the Group disposed of 60% of the voting shares of Jinhua Rehabilitation Hospital Co., Ltd. ("Jinhua Rehabilitation"), 60% of the voting shares of Jinhua Baikun Health care Pension Service Co. Ltd ("Jinhua Health care") and 60% of the voting shares of Jinhua Hongyue Women & Children Hospital Co., Ltd. ("Jinhua Hongyue").

In May 2021, the Group disposed of 100% of the voting shares of Qingdao Montessori Academy Co., Ltd ("Qingdao Montessori"), 100% of the voting shares of Montessori Academy Qingdao Campus ("Qingdao Campus") and 100% of the voting shares of Tianjin Taolesi Education Consulting Co., Ltd ("Tianjin Taolesi").

In June 2021, the Group disposed of 100% of the voting shares of Changsha Yuhua Green Olive Kinder Garden ("Changsha Garden").

In August 2021, the Group disposed of 80% of the voting shares of Dongying Baikun Rehabilitation Hospital Co., Ltd ("Dongying Rehabilitation"), 80% of the voting shares of Ever Joy Home of Dong Ying Co., Ltd ("Dong Ying Ever Joy Home").

In September 2021, the Group disposed of 100% of the voting shares of Shanghai Teamally Enterprise Management Co., Ltd. ("Shanghai Teamally"), 100% of the voting shares of Shanghai Hongwen School ("Shanghai Hongwen") and 100% of the voting shares of Hongwen School Chengdu Dayi Campus ("Dayi Campus").

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39. DISPOSAL OF SUBSIDIARIES (continued)

Disposal of Qingdao Montessori, Qingdao Campus, Tianjin Taolesi, Changsha Garden, Shanghai Teamally, Shanghai Hongwen, and Dayi Campus ("Education Industry related companies")

Net assets of Education Industry related companies as at the date of disposal and cancellation were as follows:

	2021
	RMB'000
Net assets disposed of:	
Cash and cash equivalents	55,622
Loans and accounts receivables	15,223
Prepayments, other receivables and other assets	48,887
Property, plant and equipment	4,810
Other intangible assets	258
Right-of-use assets	47,028
Investments in subsidiaries	259
Goodwill	86
Trade and bills payables	(5,872)
Other payables and accruals	(107,887)
Interest-bearing bank and other borrowings	(7,918)
Lease liabilities	(55,709)
Non-controlling interests	(4,474)
	(9,687)
Gain on disposal of subsidiaries	15,883
	6,196
Satisfied by:	
Cash	6,196
Analysis of cash flows on disposal:	
Cash consideration	6,196
Cash and cash equivalents disposed of	(55,622)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(49,426)

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31 December 2021

39. DISPOSAL OF SUBSIDIARIES (continued)

Disposal of Jinhua Rehabilitation, Jinhua Health care, Jinhua Hongyue, Dongying Rehabilitation, and Dong Ying Ever Joy Home ("Hospital Industry related companies")

Net assets of Hospital Industry related companies as at the date of disposal and cancellation were as follows:

	2021
	RMB'000
Net assets disposed of:	
Cash and cash equivalents	2,143
Loans and accounts receivables	31,684
Prepayments, other receivables and other assets	11,787
Inventories	4,119
Property, plant and equipment	132,970
Other intangible assets	1,597
Right-of-use assets	80,373
Trade and bills payables	(22,525)
Other payables and accruals	(105,354)
Interest-bearing bank and other borrowings	(119,360)
Lease liabilities	(154,421)
Non-controlling interests	67,721
	(69,266)
Gain on disposal of subsidiaries	112,766
	43,500
Satisfied by:	
Cash	43,500
Analysis of cash flows on disposal:	
Cash consideration	43,500
Cash and cash equivalents disposed of	(2,143)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	41,357

NOTES TO FINANCIAL STATEMENTS

31 December 2021

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB147,551,000 (2020: RMB155,427,000) and RMB147,551,000 (2020: RMB155,427,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2021

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non-controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	111,040,291	93,360,268	820,592	2,924,074	222,013
Issue of shares upon conversion of convertible bond	–	–	–	(2,578,353)	–
Changes from financing cash flows	14,886,281	11,170,880	(186,395)	2,908,605	1,784,521
Equity component of convertible bonds	–	–	–	(138,925)	–
New leases	–	–	147,551	–	–
Foreign exchange movement	(997,963)	53,750	–	(28,667)	–
Interest expense	9,470,568	116,513	37,229	234,352	–
Interest paid classified as operating cash flows	(9,702,448)	(124,049)	–	–	–
Fair value losses	–	–	–	–	(552,603)
Reassessment and revision of lease terms	–	–	(1,832)	–	–
Decrease arising from disposal of subsidiaries	(127,278)	–	(210,130)	–	–
At 31 December 2021	124,569,451	104,577,362	607,015	3,321,086	1,453,931

NOTES TO FINANCIAL STATEMENTS

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40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2020

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non-controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	95,853,376	68,248,110	1,873,077	–	–
Changes from financing cash flows	16,904,277	25,539,954	(962,182)	3,382,700	179,564
Equity component of convertible bonds	–	–	–	(338,050)	–
New leases	–	–	155,427	–	–
Foreign exchange movement	(2,255,961)	(424,290)	–	(163,569)	–
Interest expense	8,398,887	123,096	56,610	42,993	–
Interest paid classified as operating cash flows	(7,933,826)	(126,602)	–	–	–
Fair value losses	–	–	–	–	42,449
Reassessment and revision of lease terms	–	–	(80,830)	–	–
Increase arising from acquisition of subsidiaries	73,538	–	32,981	–	–
Decrease arising from disposal of subsidiaries	–	–	(254,491)	–	–
At 31 December 2020	111,040,291	93,360,268	820,592	2,924,074	222,013

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021
	RMB'000
Within financing activities	(186,395)

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41. CONTINGENT LIABILITIES

At 31 December 2021, contingent liabilities that are not provided for in the financial statements were as follows:

	2021	2020
	RMB'000	RMB'000
Claimed amounts	83,686	6,310

42. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in Notes 13, 14, 23, 27 and 31, respectively, to the financial statements.

43. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2021	2020
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and machinery	224,729	324,921

(b) Credit commitments

The Group's irrevocable credit commitments at the end of the reporting period were as follows:

	2021	2020
	RMB'000	RMB'000
Irrevocable credit commitments	14,124,845	8,101,274

At any given time, the Group also has outstanding commitments to extend credit, which are included in irrevocable credit commitments. These commitments are in the form of approved lease contracts, which have yet to be provided at the end of each reporting period.

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44. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

Ultimate holding company of a shareholder with significant influence
Sinochem Group

A shareholder with significant influence
Greatpart Limited

Subsidiaries of the ultimate holding company of the shareholder with significant influence
Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")
Sinochem Finance Co., Ltd.
China Jin Mao Group Co., Ltd.
Beijing Chemsunny Property Co., Ltd.
Jin Mao (Shanghai) Property Management Service Co., Ltd.
Sinochem Jinmao Property Management (Beijing) Co., Ltd.
Sinochem Corporation
BlueStar New Chemical Materials Guangxi Branch
Shenyang Chemical Co., Ltd.

Joint ventures
Guangzhou Kangda Industrial Technology Co., Ltd.
Kunming Broadhealthcare (Group) Co., Ltd. ****
Teamway Shipping Limited
Gold Chance Shipping Limited
Fengyang Qianmen Hospital Co., Ltd.
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.***
Grand Flight Investment Management Co., Ltd.
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.
Shanghai Shengjiang Investment Management Co., Ltd.*
Shanghai Jinghong Yuanyu Apartment Management Co., Ltd.**

Associates
Tianjin FIS Asset Management Co., Ltd.
Shanghai Yijia Construction Development Co., Ltd.
Hangzhou Guoya Stomatological Hospital Co., Ltd.

* No longer jointly controlled by the Group since 26 August 2021

** No longer jointly controlled by the Group since 1 August 2021

*** Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. is the subsidiary of Grand Flight Investment Management Co., Ltd.

**** Formerly known as Kunming Broadhealthcare Investment Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

44. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions and balances disclosed in Notes 23, 24, 27, 29, 30 and 31 to the financial statements, the Group had the following material transactions with related parties during the year:

(i) Interest income from cash at banks

	2021	2020
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	3,869	3,667

The interest income was earned at rates ranging from 0.35% to 1.495% (2020: 0.35% to 1.495%) per annum.

(ii) Service fee income

	2021	2020
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	–	31
Kunming Broadhealthcare (Group) Co., Ltd.	189	–
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	1,528	2,067
Fengyang Qianmen Hospital Co., Ltd.	–	86
Hangzhou Guoya Stomatological Hospital Co., Ltd.	448	–
	2,165	2,184

Services were provided based on prices mutually agreed between the parties.

(iii) Interest expenses on borrowings

	2021	2020
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	10,914	30,744

The interest expenses were charged at rates ranging from 3.8% to 4.185% (2020: 3.6% to 4.185%) per annum.

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44. RELATED PARTY TRANSACTIONS (continued)

(iv) Interest expenses

	2021	2020
	RMB'000	RMB'000
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	29	29
Grand Flight Investment Management Co., Ltd.	288	426
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	78	58
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	–	1,300
	395	1,813

The interest expenses were charged at a rate of 1.485% (2020: 1.485%) per annum.

(v) Consultancy service fee and other financial service fee

	2021	2020
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	580	10,433

(vi) Rentals paid as a lessee (rental expenses)

	2021	2020
	RMB'000	RMB'000
Beijing Chemsunny Property Co., Ltd.	8,563	8,140
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	687	562
	9,250	8,702

These rentals were charged based on rates mutually agreed between the parties.

NOTES TO FINANCIAL STATEMENTS

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44. RELATED PARTY TRANSACTIONS (continued)

(vii) Interest income from loans and accounts receivables

	2021	2020
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	25,767	7,053
Kunming Broadhealthcare (Group) Co., Ltd.	4,287	3,417
Tianjin FIS Asset Management Co., Ltd.	20,866	44,524
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	5,123	3,886
Shanghai Shengjiang Investment Management Co., Ltd.	–	1,396
BlueStar New Chemical Materials Guangxi Branch	590	–
Shenyang Chemical Co., Ltd.	5,489	–
Hangzhou Guoya Stomatological Hospital Co., Ltd.	609	–
	62,731	60,276

(viii) Sales of goods

	2021	2020
	RMB'000	RMB'000
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	–	4,558

(ix) Decoration fee

	2021	2020
	RMB'000	RMB'000
Shanghai Yijia Construction Development Co., Ltd.	7,596	7,951

NOTES TO FINANCIAL STATEMENTS

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44. RELATED PARTY TRANSACTIONS (continued)

(x) Administrative fee

	2021	2020
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	42,720	–

(xi) Compensation of key management personnel of the Group

	2021	2020
	RMB'000	RMB'000
Short term employee benefits	134,706	96,462

During 2021, certain members of key management personnel of the Group were granted share options and restricted shares in respect of their services to the Group under the share option scheme and the restricted share award scheme of the Company, further details of which are set out in Note 35 and Note 36 to the financial statements.

Further details of directors' emoluments are set out in Note 8 to the financial statements.

The related party transactions in respect of items (i), (iii), (v) and (vi) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

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45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	252,218,007	–	–	–	252,218,007
Financial assets included in prepayments, other receivables and other assets	3,126,777	–	–	–	3,126,777
Restricted deposits	4,239,760	–	–	–	4,239,760
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	22,331	–	22,331
Financial assets at fair value through profit or loss	–	12,760,358	–	–	12,760,358
Debt investment at fair value through other comprehensive income	–	–	–	699,039	699,039
Cash and cash equivalents	15,659,036	–	–	–	15,659,036
	275,243,580	12,760,358	22,331	699,039	288,725,308

NOTES TO FINANCIAL STATEMENTS

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45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2021 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	13,890,322	–	–	13,890,322
Financial liabilities included in other payables and accruals	22,140,683	–	–	22,140,683
Interest-bearing bank and other borrowings*	226,879,656	–	–	226,879,656
Convertible bonds – host debts	3,321,086	–	–	3,321,086
Lease liabilities	607,015	–	–	607,015
Derivative financial instruments	–	6,908	–	6,908
Hedging instruments designated as cash flow hedges	–	–	2,361,956	2,361,956
Other non-current liabilities	–	1,453,931	–	1,453,931
	266,838,762	1,460,839	2,361,956	270,661,557

NOTES TO FINANCIAL STATEMENTS

31 December 2021

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	229,397,307	–	–	–	229,397,307
Financial assets included in prepayments, other receivables and other assets	5,360,263	–	–	–	5,360,263
Restricted deposits	3,474,869	–	–	–	3,474,869
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	288,818	–	288,818
Derivative financial instruments designated as hedging instruments in fair value hedges	–	149	–	–	149
Financial assets at fair value through profit or loss	–	9,342,565	–	–	9,342,565
Debt investment at fair value through other comprehensive income	–	–	–	108,176	108,176
Cash and cash equivalents	11,877,235	–	–	–	11,877,235
	250,109,674	9,342,714	288,818	108,176	259,849,382

NOTES TO FINANCIAL STATEMENTS

31 December 2021

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	7,880,410	–	–	7,880,410
Financial liabilities included in other payables and accruals	27,561,842	–	–	27,561,842
Interest-bearing bank and other borrowings	200,292,081	–	–	200,292,081
Convertible bonds – host debts	2,924,074	–	–	2,924,074
Lease liabilities	820,592	–	–	820,592
Hedging instruments designated as cash flow hedges	–	–	1,855,165	1,855,165
Other non-current liabilities	–	222,013	–	222,013
	239,478,999	222,013	1,855,165	241,556,177

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value in the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in deposits, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and borrowings.

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable:

Cash and cash balances, the current portion of financial assets included in deposits and other receivables, trade and bills payables, short term borrowings and the current portion of financial liabilities included in other payables and accruals

Substantially all of the financial assets and liabilities mature within one year from the end of each reporting period and their carrying values approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

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46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

Loans and accounts receivables, interest-bearing bank and other borrowings except for bonds issue and short term borrowings and restricted deposits

Substantially all of the restricted deposits and interest-bearing bank and other borrowings, except for bonds issued and short-term borrowings, are on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values. For loans and accounts receivables with long-term remaining maturities, the applied interest rates approximate to prevailing market interest rates and their carrying values approximate to their fair value.

Bonds issued and convertible bonds-host debts

The fair values of the bonds and host debts convertible bonds issued are calculated based on a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds issued	**103,410,935**	92,190,752	**104,632,682**	92,107,786
Convertible bonds – host debts	**3,321,086**	2,924,074	**3,499,704**	3,026,531
Other non-current liabilities	**1,362,971**	–	**1,357,130**	–

Non-current portion of financial assets included in prepayments, deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals

The fair values of the non-current portion of financial assets included in prepayment, deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The difference between the carrying amounts and the fair values of those financial assets and liabilities is not significant.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value

Non-deliverable cross-currency swaps and interest rate swaps

Non-deliverable cross-currency swaps and interest rate swaps are measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets at fair value through profit or loss

The valuations of the financial assets at fair value through profit or loss were based on information known to the Group and market conditions existing at the end of the reporting period. The fair values were determined by using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions, referring to the current market value of another instrument that is substantially the same and making as much use of available and supportable market data as possible.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

Description	Fair value at 31 December 2021	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial investments at fair value through profit or loss	2,694,057	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the lower the fair value/ The higher the volatility, the higher the fair value

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1:	fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3:	fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (Continued)

Assets and liabilities measured at fair value

As at 31 December 2021

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	11,596	–	11,596
Interest rate swaps – assets	–	10,735	–	10,735
Cross-currency interest rate swaps – liabilities	–	(2,260,523)	–	(2,260,523)
Forward currency contracts – liabilities	–	(86,806)	–	(86,806)
Interest rate swaps – liabilities	–	(14,627)	–	(14,627)
Financial assets at fair value through profit or loss	789,665	9,276,636	2,694,057	12,760,358
Debt investments at fair value through other comprehensive income	–	699,039	–	699,039
Other non-current liabilities	–	(1,453,931)	–	(1,453,931)

As at 31 December 2020

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	269,809	–	269,809
Interest rate swaps – assets	–	19,158	–	19,158
Cross-currency interest rate swaps – liabilities	–	(1,756,842)	–	(1,756,842)
Forward currency contracts – liabilities	–	(72,485)	–	(72,485)
Interest rate swaps – liabilities	–	(25,838)	–	(25,838)
Financial assets at fair value through profit or loss	233,100	7,338,658	1,770,807	9,342,565
Debt investments at fair value through other comprehensive income	–	108,176	–	108,176
Other non-current liabilities	–	(222,013)	–	(222,013)

During the year ended 31 December 2021, there were transfers at fair value measurements from Level 2 to Level 1 and from Level 2 to Level 3 (year ended 31 December 2020: there were transfers at fair value measurements from Level 2 to Level 1 and from Level 2 to Level 3).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (Continued)

Assets and liabilities measured at fair value (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2021	2020
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Carrying amount at 1 January 2021	1,770,807	–
Changes in fair value recognised in profit or loss	650,074	44,320
Additions, net	273,176	1,726,487
Carrying amount at 31 December 2021	2,694,057	1,770,807

Liabilities for which fair values are disclosed

As at 31 December 2021

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	103,410,935	–	103,410,935
Convertible bonds – host debts	–	3,321,086	–	3,321,086
Other non-current liabilities	–	1,362,971	–	1,362,971

As at 31 December 2020

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	92,190,752	–	92,190,752
Convertible bonds – host debts	–	2,924,074	–	2,924,074

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, entrusted loans, trade receivables, trade payables, bank loans, other interest-bearing loans, cash and short term deposits and derivative financial instruments. The main purpose of bank loans and other interest-bearing loans is to finance the Group's operations while other financial assets and liabilities such as lease receivables, entrusted loans, trade receivables and trade payables are directly related to the Group's operating activities.

The Group also enters into derivative transactions, including principally cross-currency interest rate swaps, forward currency contracts and RMB-denominated interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings, lease receivables and other loans. The Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure. For example, the Group enters into cash flow and fair value hedges (see Note 22).

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of the reporting period subject to repricing within the coming year.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

	Increase/(decrease) in profit before tax As at 31 December	
	2021	2020
	RMB'000	RMB'000
Change in basis points		
+100 basis points	**24,974**	30,639
– 100 basis points	**(20,221)**	(30,639)

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities change by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and, to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than the RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 22).

The exchange rate of RMB to the United States Dollar ("US$") is managed under a floating exchange rate system. The Hong Kong Dollar ("HK$") exchange rate has been pegged to US$, and therefore, the exchange rate of RMB to HK$ has fluctuated in line with the changes in the exchange rate of RMB to US$.

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31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

The table below is a sensitivity analysis of the change in the exchange rate of the currency to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were kept unchanged and, therefore, the analysis has not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Group

		Increase/(decrease) in profit before tax As at 31 December	
		2021	2020
Currency	Change in currency rate	RMB'000	RMB'000
US$	+/-1%	**4,203/(4,203)**	(9,475)/9,475
HK$	+/-1%	**(7,794)/7,794**	(9,192)/9,192

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial instruments, entrusted loans and subordinated tranches of asset-backed securities/notes, and debt investments at fair value through profit or loss. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

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31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on the customers' creditworthiness information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2021

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	276,859	276,859
Accounts receivable	–	–	–	5,029,421	5,029,421
Notes receivable*	1,810,670	0			1,810,670
Interest-earning assets	228,582,793	15,897,300	1,596,862	–	246,076,955
Financial assets included in prepayments, other receivables and other assets	3,126,777	–	–	–	3,126,777
Pledged deposits	4,239,760	–	–	–	4,239,760
Cash and cash equivalents	15,659,036	–	–	–	15,659,036
	253,419,036	15,897,300	1,596,862	5,306,280	276,219,478

* includes notes receivable classified as debt investments at fair value through other comprehensive income.

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31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

At 31 December 2020

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	110,132	110,132
Accounts receivable	–	–	–	3,280,753	3,280,753
Notes receivable	547,837	–	–	–	547,837
Interest-earning assets	206,267,538	17,889,704	1,519,651	–	225,676,893
Financial assets included in prepayments, other receivables and other assets	5,360,263	–	–	–	5,360,263
Pledged deposits	3,474,869	–	–	–	3,474,869
Cash and cash equivalents	11,877,235	–	–	–	11,877,235
	227,527,742	17,889,704	1,519,651	3,390,885	250,327,982

Note:

The financial assets falling in stage 1 are mainly credit rated as Pass, except for an amount of interest-earning assets of RMB3,288,552,000 (2020: RMB2,655,605,000) which are credit rated as Special Mention. All of the financial assets falling in stage 2 and stage 3 are credit rated as Special Mention and Non-performing, respectively.

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The customer bases of the Group's financial assets are widely dispersed in different sectors and industries.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet the liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through daily execution of the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets and liquidity of the Group, and maintaining an efficient internal fund transfer mechanism.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows:

	As at 31 December 2021						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	3,227,882	49,004,670	100,171,631	127,458,745	2,430,427	–	282,293,355
Financial assets included in prepayments, other receivables and other assets	43,783	200,994	467,215	1,961,294	453,491	–	3,126,777
Restricted deposits	–	3,185,202	1,054,558	–	–	–	4,239,760
Derivative financial instruments	–	1	456	21,874	–	–	22,331
Financial assets at fair value through profit or loss	5	956,720	2,313,415	4,809,259	1,863,287	2,817,672	12,760,358
Debt investment at fair value through other comprehensive income	–	229,355	468,800	884	–	–	699,039
Cash and cash equivalents	15,659,036	–	–	–	–	–	15,659,036
Total financial assets	18,930,706	53,576,942	104,476,075	134,252,056	4,747,205	2,817,672	318,800,656
FINANCIAL LIABILITIES:							
Trade and bills payables	151,861	6,421,388	7,317,073	–	–	–	13,890,322
Financial liabilities included in other payables and accruals	603,818	6,759,461	5,469,224	9,307,108	1,072	–	22,140,683
Convertible bonds – host debts	–	–	–	3,321,086	–		3,321,086
Lease liabilities	–	51,391	112,247	311,133	132,244	–	607,015
Interest-bearing bank and other borrowings	–	36,905,285	92,536,710	107,978,856	2,447,775	–	239,868,626
Derivative financial instruments	–	375,606	701,505	1,291,753	–	–	2,368,864
Other non-current liabilities	–	–	–	–	1,453,931	–	1,453,931
Total financial liabilities	755,679	50,513,131	106,136,759	122,209,936	4,035,022	–	283,650,527
Net liquidity gap	18,175,027	3,063,811	(1,660,684)	12,042,120	712,183	2,817,672	35,150,129

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows: (continued)

	As at 31 December 2020						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	2,858,332	39,601,266	96,973,341	116,717,226	1,567,495	–	257,717,660
Financial assets included in prepayments, other receivables and other assets	–	147,882	767,617	4,005,205	439,559	–	5,360,263
Restricted deposits	–	2,729,375	749,299	143	–	–	3,478,817
Derivative financial instruments	–	219,765	–	69,202	–	–	288,967
Financial assets at fair value through profit or loss	516,305	138,515	2,511,031	3,639,853	1,268,801	1,268,060	9,342,565
Debt investment at fair value through other comprehensive income	–	17,236	90,940	–	–	–	108,176
Cash and cash equivalents	11,877,235	–	–	–	–	–	11,877,235
Total financial assets	15,251,872	42,854,039	101,092,228	124,431,629	3,275,855	1,268,060	288,173,683
FINANCIAL LIABILITIES:							
Trade and bills payables	85,554	1,524,764	6,270,092	–	–	–	7,880,410
Financial liabilities included in other payables and accruals	53,169	5,616,117	5,940,980	15,887,762	63,814	–	27,561,842
Convertible bonds – host debts	–	–	–	2,924,074	–	–	2,924,074
Lease liabilities	–	71,526	166,018	452,002	131,046	–	820,592
Interest-bearing bank and other borrowings	–	35,494,692	70,421,107	100,103,326	921,456	–	206,940,581
Derivative financial instruments	–	19,079	278,362	1,557,724	–	–	1,855,165
Other non-current liabilities	–	–	–	–	222,013	–	222,013
Total financial liabilities	138,723	42,726,178	83,076,559	120,924,888	1,338,329	–	248,204,677
Net liquidity gap	15,113,149	127,861	18,015,669	3,506,741	1,937,526	1,268,060	39,969,006

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank and other borrowings and an interest rate swap denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month, three months or twelve months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract

- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)

- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non-derivative financial liabilities - carrying value	Derivatives - nominal amount
	RMB'000	RMB'000
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	25,091,105	–
Interest rate swap		
– United States dollar LIBOR	–	637,570
Cross-currency interest rate swap		
– United States dollar LIBOR	–	22,159,804

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate benchmark reform (continued)

As at 31 December 2020

	Non-derivative financial liabilities - carrying value	Derivatives - nominal amount
	RMB'000	RMB'000
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	36,789,386	–
Interest rate swap		
– United States dollar LIBOR	–	1,957,470
Cross-currency interest rate swap		
– United States dollar LIBOR	–	26,364,329

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is defined by management as net debt divided by total equity plus net debt. Net debt includes bank and other borrowings. The gearing ratios as at the reporting dates were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank and other borrowings (Note 31)	**230,200,742**	205,216,155
Total equity	**53,054,110**	45,267,133
Total equity and net debt	**283,254,852**	250,483,288
Gearing ratio	**81%**	82%

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31 December 2021

48. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Continuing involvement in transferred assets	**2,161,894**	4,064,204
Payables to non-controlling interests of consolidated structured entities	**1,453,931**	222,013
Put option granted to non-controlling shareholders (Note (i))	**1,362,971**	–
Others	**607**	500
	4,979,403	4,286,717

Note (i): Pursuant to the Share Purchase Agreement signed by and among the investors of Horizon Construction Development Limited ("HCD"), one subsidiary of the Group on 16 April 2021, shares shall be redeemed by HCD upon the occurrence of certain contingent events which cannot be controlled by HCD including a public offering of HCD on the Stock Exchange or another recognized international securities exchange not being completed within 36 months. The price of investors' shares to be redeemed shall be an amount that would give holders a fixed rate of 8% per annum for its investment in HCD plus all accrued but unpaid dividends.

Presentation and classification:

The option granted to non-controlling shareholders gives rise to financial liabilities, which are measured at present value of the redemption amount. These investors subscribed for an aggregate of 6,651 shares of HCD at a total consideration of USD204,910,000, initially equivalent to RMB1,326,185,000, with certain conditional terms. As at 31 December 2021, the amount of put option granted to non-controlling shareholders was RMB1,362,971,000.

49. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group enters into securitisation transactions in the normal course of business whereby it transfers loans and accounts receivables to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those loans and accounts receivables and they generally finance the purchase of the loans and accounts receivables by issuing asset-backed securities to investors. The Group assessed and determined that those structured entities need not be consolidated as the Group has no control over them.

The Group may hold some subordinated tranches of those asset-backed securities/notes and accordingly may retain portions of the risks and rewards of the transferred loans and accounts receivables. The Group would determine whether or not to derecognise the transferred loans and accounts receivables mainly by evaluating the extent to which it retains the risks and rewards of the transferred assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

49. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

During the year ended 31 December 2021 and the year ended 31 December 2020, the Group did not transfer loans and accounts receivable to third parties, consequently, no such assets were qualified for full derecognition. The Group did not provide liquidity support to these unconsolidated structured entities, and thus there was no exposure to losses.

The Group also transferred loans and accounts receivables to unconsolidated structured entities, where the Group held some subordinated tranches, and hence, it retained continuing involvement in the transferred assets (i.e. loans and accounts receivables amounting to RMB45,617,928,000 as at 31 December 2021). As a result, as at 31 December 2021, the balance of subordinated tranches of asset-backed securities/notes held by the Group amounted to RMB2,858,774,000 (31 December 2020: RMB4,499,118,000). In addition, the balances of continuing involvement in transferred assets and associated liabilities both amounted to RMB2,858,774,000 (31 December 2020: both RMB4,499,118,000), which approximate the maximum exposure to losses from its involvement in such securitisation arrangements and the unconsolidated structured entities.

During the year ended 31 December 2021, as a result of the securitisation transactions, the Group recognised gains of RMB7,349,000 (2020: gains of RMB1,285,000) from transfers of loans and accounts receivables.

50. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2021.

51. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	3	7
Right-of-use assets	5,268	–
Investments in subsidiaries	65,456,191	54,714,295
Deferred tax assets	–	110,551
Loans and accounts receivables	21,217,716	18,839,980
Derivative financial instruments	21,406	50,193
Total non-current assets	86,700,584	73,715,026
CURRENT ASSETS		
Loans and accounts receivables	988,839	1,316,705
Prepayments, other receivables and other assets	13,204,510	9,920,864
Dividend receivable from subsidiaries	12,108	12,391
Derivative financial instruments	–	196,402
Restricted deposits	169,210	223,658
Cash and cash equivalents	804,618	684,832
Total current assets	15,179,285	12,354,852
CURRENT LIABILITIES		
Other payables and accruals	2,109,279	3,985,904
Derivative financial instruments	883,217	193,771
Income tax payable	(16)	(78)
Interest-bearing bank and other borrowings	14,943,234	18,625,023
Total current liabilities	17,935,714	22,804,620
NET CURRENT LIABILITIES	(2,756,429)	(10,449,768)
TOTAL ASSETS LESS CURRENT LIABILITIES	83,944,155	63,265,258

NOTES TO FINANCIAL STATEMENTS

31 December 2021

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	31 December 2021	31 December 2020
	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**83,944,155**	63,265,258
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**38,996,530**	25,686,277
Derivative financial instruments	**1,209,665**	1,399,084
Lease liabilities	**5,293**	–
Total non-current liabilities	**40,211,488**	27,085,361
Net assets	**43,732,667**	36,179,897
EQUITY		
Share capital	**13,042,863**	10,397,104
Reserves (Note 37)	**28,648,786**	23,742,826
	41,691,649	34,139,930
Holders of perpetual securities	**2,041,018**	2,039,967
Total equity	**43,732,667**	36,179,897

Kong Fanxing
Director

Wang Mingzhe
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2021

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve#	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	–	1,535,462	(1,070,078)	407,015	8,346	121,913	(311,956)	611,888	18,390,618	19,693,208
Profit for the year	–	–	–	–	–	–	–	–	4,750,245	4,750,245
Other comprehensive income for the year:										
Cash flow hedges, net of tax	–	–	–	–	–	–	57,667	–	–	57,667
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	141,931	–	141,931
Total comprehensive income	–	–	–	–	–	–	57,667	141,931	4,750,245	4,949,843
Final 2019 dividend declared (net of dividends received from shares held for the share award scheme)	–	–	–	–	–	–	–	–	(1,143,486)	(1,143,486)
Shares vested under the restricted share award scheme	–	–	203,131	(166,840)	–	–	–	–	(36,291)	–
Transfer of share option reserve upon exercise of share options	–	–	–	(23,798)	–	–	–	–	–	(23,798)
Recognition of equity-settled share-based payments	–	–	–	162,846	–	–	–	–	–	162,846
Special reserve – safety fund appropriation	–	–	–	–	16,568	–	–	–	(18,063)	(1,495)
Capital injection by non-controlling shareholders	–	4,182	–	–	–	–	–	–	–	4,182
Purchase of non-controlling interests	–	(236,524)	–	–	–	–	–	–	–	(236,524)
Issue of convertible bonds	338,050	–	–	–	–	–	–	–	–	338,050
At 31 December 2020	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,943,023	23,742,826

NOTES TO FINANCIAL STATEMENTS

31 December 2021

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

A summary of the Company's reserves is as follows: (continued)

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve#	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,943,023	23,742,826
Profit for the year	–	–	–	–	–	–	–	–	5,660,866	5,660,866
Other comprehensive income for the year:										
Cash flow hedges, net of tax	–	–	–	–	–	–	212,318	–	–	212,318
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	83,280	–	83,280
Total comprehensive income	–	–	–	–	–	–	212,318	83,280	5,660,864	5,956,464
Final 2020 dividend declared (net of dividends received from shares held for the share award scheme)	–	–	–	–	–	–	–	–	(1,205,585)	(1,205,585)
Shares vested under the restricted share award scheme	–	–	135,391	(118,503)	–	–	–	–	(16,888)	–
Transfer of share option reserve upon exercise of share options	–	–	–	(14,314)	–	–	–	–	–	(14,314)
Recognition of equity-settled share-based payments	–	–	–	99,761	–	–	–	–	–	99,761
Special reserve – safety fund appropriation	–	–	–	–	21,259	–	–	–	(26,261)	(5,002)
Capital injection by non-controlling shareholders	–	488,434	–	–	–	–	–	–	–	488,434
Disposal of subsidiaries	–	84,262	–	–	–	–	–	–	(84,262)	–
Purchase of non-controlling interests	–	138,564	–	–	–	–	–	–	–	138,564
Issue of convertible bonds	138,925	–	–	–	–	–	–	–	–	138,925
Issue of shares upon conversion of convertible bonds	(243,225)	–	–	–	–	–	–	–	–	(243,225)
Put option granted to non-controlling shareholders	–	(448,062)	–	–	–	–	–	–	–	(448,062)
At 31 December 2021	233,750	1,566,318	(731,556)	346,167	46,173	121,913	(41,971)	837,099	26,270,893	28,648,786

\# The reserve of the Company represents the recognition of the equity-settled share-based payments of the Share Options which are yet to be exercised and the Restricted Shares which are yet to be vested. The amount will be transferred to share capital or shares held for the share award scheme when the related Share Options are exercised or Restricted Shares are vested.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2022.

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