IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND ARE NOT U.S. PERSON.

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

Confirmation of Your Representation: The Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor (each as defined in the Offering Circular), Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, ICBC International Securities Limited, Agricultural Bank of China Limited Hong Kong Branch, ABCI Capital Limited, Bank of China (Hong Kong) Limited, Bank of China Limited, BOCI Asia Limited, China Construction Bank (Asia) Corporation Limited, CCB International Capital Limited, Standard Chartered Bank, Morgan Stanley & Co. International plc, CMB International Capital Limited, CMB Wing Lung Bank Limited, China Merchants Securities (HK) Co., Ltd., CLSA Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SPDB International Capital Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMBC Securities Company Limited, Dongxing Securities (Hong Kong) Company Limited, Guotai Junan Securities (Hong Kong) Limited and Crédit Agricole Corporate and Investment Bank as joint lead managers (the "**Joint Lead Managers**") that (1) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

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

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

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

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer or the Guarantor or the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or each person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of any Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer or the Guarantor in such jurisdiction.

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

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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

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

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. 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. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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STRICTLY CONFIDENTIAL

CHINA GREAT WALL INTERNATIONAL HOLDINGS V LIMITED

(incorporated with limited liability in the British Virgin Islands)

U.S.$500,000,000 2.375 per cent. Guaranteed Bonds due 2030
unconditionally and irrevocably guaranteed by

CHINA GREAT WALL AMC (INTERNATIONAL) HOLDINGS COMPANY LIMITED
（中國長城資產（國際）控股有限公司）

(incorporated with limited liability in the Hong Kong Special Administrative Region)

ISSUE PRICE: 99.797 PER CENT.

The 2.375 per cent. guaranteed bonds due 2030 in the aggregate principal amount of U.S.$500,000,000 (the "**Bonds**") will be issued by China Great Wall International Holdings V Limited (the "**Issuer**"). The Bonds will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Bonds**") by China Great Wall AMC (International) Holdings Company Limited (the "**Guarantor**"). The Issuer is a wholly-owned subsidiary of the Guarantor.

The Bonds will bear interest on their outstanding principal amount from and including 18 August 2020 (the "**Issue Date**") at the rate of 2.375 per cent. per annum and such interest will be payable semi-annually in arrear in equal instalments on 18 February and 18 August in each year (each an "**Interest Payment Date**"), commencing on 18 February 2021.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem each Bond at its principal amount on 18 August 2030 (the "**Maturity Date**"). The Bonds 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 to the holders of Bonds (the "**Bondholders**", each a "**Bondholder**") in accordance with Condition 15 (*Notices*) of the terms and conditions of the Bonds (the "**Terms and Conditions of the Bonds**") and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount, together with interest (if any) accrued to but excluding the date fixed for redemption if, immediately before giving such notice, the Issuer satisfies the Trustee that a Gross-up Event has occurred (as defined in the Terms and Conditions of the Bonds) and the Issuer or the Guarantor is or would be required on the next succeeding due date for a payment with respect to the Bonds or the Guarantee of the Bonds to pay Additional Amounts (as defined in the Terms and Conditions of the Bonds) with respect to the Bonds and such obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor or any of their successor person. The Bonds may be redeemed at the option of the Issuer in whole or in part, on giving not less than 30 nor more than 60 days' irrevocable notice (the "**Optional Redemption Notice**") (in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Bonds) to the Bondholders and in writing to the Trustee and the Principal Paying Agent at a redemption price equal to (A) (in the case of an Optional Redemption Date (as defined in the Terms and Conditions of the Bonds) falling before 18 May 2030 (being three months before the Maturity Date)) the Make Whole Price (as defined in the Terms and Conditions of the Bonds) as of the Optional Redemption Date, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date, as specified in the Optional Redemption Notice (as defined in the Terms and Conditions of the Bonds); or (B) (in the case of an Optional Redemption Date falling on or after 18 May 2030 (being three months before the Maturity Date)) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date. Following the occurrence of a Change of Control Triggering Event (as defined in the Terms and Conditions of the Bonds), each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the Change of Control Put Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. of their principal amount, together with interest accrued up to but excluding such Change of Control Put Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase*".

The Bonds will constitute direct, general, unsecured, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee of the Bonds will constitute direct, general, unsecured, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Bonds will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Guarantor has caused an application for the pre-issuance registration (the "**Pre-Issuance Registration**") of the offering of the Bonds to be made with the National Development and Reform Commission (the "**NDRC**") in accordance with 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. The Guarantor has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated 4 August 2020 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Circular, the Guarantor will be required to complete the filing in respect of the issue of the Bonds within the prescribed timeframe after the Issue Date.

Application has been made to The Stock Exchange of Hong Kong Limited ("**HKSE**") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Bonds on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) ("**Professional Investors**") only. This document is for distribution to Professional Investors only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

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

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

Investing in the Bonds involves certain risks. See "*Risk Factors*" beginning on page 12 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Bonds and the Guarantee of the Bonds are being offered only outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers and sales of the Bonds, the Guarantee of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Bonds are expected to be rated "BBB+" by S&P Global Ratings, a division of S&P Global Inc. ("**S&P**") and "A-" by Fitch Ratings Ltd. ("**Fitch**", together with S&P, the "**Rating Agencies**" and each a "**Rating Agency**"). The rating does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision, suspension, reduction or withdrawal at any time by any Rating Agency. Such rating should be evaluated independently of any other rating of the other securities of the Issuer or the Guarantor.

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Bank of Communications	**ICBC**	**Agricultural Bank of China**
Bank of China	**China Construction Bank**	**Standard Chartered Bank**
	Morgan Stanley	

Joint Bookrunners and Joint Lead Managers

China Merchants Bank	**China Merchants Securities (HK)**	**CLSA**
China CITIC Bank International	**China Everbright Bank Hong Kong Branch**	**Shanghai Pudong Development Bank**
China Minsheng Banking Corp., Ltd.	**Dongxing Securities (Hong Kong)**	**Guotai Junan International**
	Crédit Agricole CIB	

Offering Circular dated 12 August 2020

IMPORTANT NOTICE

Each of the Issuer and the Guarantor having made all reasonable enquiries confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries (collectively the "**Group**"), the Bonds and the Guarantee of the Bonds, which is material in the context of the issue and offering of the Bonds; (ii) the statements contained herein relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee of the Bonds are in every material respect true and accurate and not misleading and there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee of the Bonds, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention, opinion and belief or expectation contained in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; and (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee of the Bonds.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, ICBC International Securities Limited, Agricultural Bank of China Limited Hong Kong Branch, ABCI Capital Limited, Bank of China (Hong Kong) Limited, Bank of China Limited, BOCI Asia Limited, China Construction Bank (Asia) Corporation Limited, CCB International Capital Limited, Standard Chartered Bank and Morgan Stanley & Co. International plc (together, the "**Joint Global Coordinators**"), CMB International Capital Limited, CMB Wing Lung Bank Limited, China Merchants Securities (HK) Co., Ltd., CLSA Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SPDB International Capital Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMBC Securities Company Limited, Dongxing Securities (Hong Kong) Company Limited, Guotai Junan Securities (Hong Kong) Limited and Crédit Agricole Corporate and Investment Bank (together, the "**Joint Bookrunners**", and together with the Joint Global Coordinators, the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, European Economic Area, the People's Republic of China, Hong Kong, Japan, Singapore and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA AND 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 European Economic Area ("**EEA**") or 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 (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. 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 or in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPS Regulation.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds and the Guarantee of the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them. To the fullest extent permitted by law, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents, officers, representatives and advisers and each person who controls any of them do not accept any responsibility for the contents of this Offering Circular and assume 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 the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents, officers, representatives and advisers and each person who controls any of them or on their behalf in connection with the Issuer, the Guarantor or the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents, officers, representatives and advisers and each person who controls any of them accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any statement herein. None of the Joint Lead Managers, the Trustee or any Agent or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them undertakes to review the financial conditions or affairs of the Issuer, the Guarantor or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or any Agent or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents, officers, representatives and advisers and each person who controls any of them have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER), PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED SHALL NOT BE APPOINTED AND ACTING AS THE STABILISATION MANAGER, MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE A STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group, the Bonds, the Guarantee of the Bonds and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

All non-company specific statistics and data relating to the Group's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer and the Guarantor believe that the sources of this information are appropriate for such information and each of the Issuer and the Guarantor has taken reasonable care in extracting and reproducing such information. Neither the Issuer nor the Guarantor has any reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, this information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents or any of their respective affiliates, directors, employees, agents, officers, representatives or advisers or each person who controls any of them and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents nor any of their respective affiliates, directors, employees, agents, officers, representatives or advisers nor each person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

Unless otherwise indicated, all references in this Offering Circular to "China", "Mainland China" or the "PRC" are to the People's Republic of China and, for the purpose of this Offering Circular only, exclude, Hong Kong, Macau SAR of the PRC and Taiwan, all references to "Macau SAR" and "Macau" are to the Macau Special Administrative Region of the PRC and all references to "Hong Kong" are to the Hong Kong Special Administrative Region of the PRC. "**PRC government**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

Unless otherwise specified or the context requires, references herein to "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC, references herein to "**Hong Kong dollars**", "**HK dollars**", "**HK$**", "**HK cents**" or "**HKD**" are to the lawful currency of Hong Kong, references herein to "**U.S. dollars**", "**U.S.$**" or "**USD**" are to the lawful currency of the United States of America.

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

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction to approve. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The Guarantor's audited consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019 included in this Offering Circular has been extracted from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2018 (the "**Guarantor's 2018 Audited Financial Statements**") and the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2019 (the "**Guarantor's 2019 Audited Financial Statements**"), respectively which are included elsewhere in this Offering Circular. These financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants ("**Deloitte**").

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

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial conditions, future expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

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

The words "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer and the Guarantor undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's, the Guarantor's and the Group's actual results could differ materially from those anticipated in these forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.

These forward-looking statements speak only as of the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

This summary does not contain all the information that may be important to prospective investors in deciding whether or not to invest in the Bonds. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

The Issuer

China Great Wall International Holdings V Limited is a business company with limited liability incorporated under the BVI Business Companies Act (as amended) of the British Virgin Islands (BVI company number 2033492). It was incorporated in the British Virgin Islands on 20 March 2020. The Issuer's registered office is Craigmuir Chambers, P.O Box 71, Road Town, Tortola, VG 1110, British Virgin Islands.

See "*Description of the Issuer*".

The Group

The Guarantor is a direct wholly-owned subsidiary of China Great Wall Asset Management Co., Ltd. ("**China Great Wall**", together with its subsidiaries, the "**China Great Wall Group**"). China Great Wall is one of the four leading asset management companies (the "**AMCs**") and a leading provider of comprehensive financial services and innovative products in the PRC. China Great Wall was jointly founded by the Ministry of Finance of the PRC (中國人民共和國財政部) ("**MOF**"), the National Council for Social Security Fund and China Life Insurance (Group) Company and was established with the approval of State Council in 1999. China Great Wall primarily offers distressed and/or non-performing asset ("**NPA**") management and disposal, investment banking and asset management and comprehensive financial services. China Great Wall is a state-owned enterprise controlled by MOF, which held approximately 73.53 per cent. equity interest in China Great Wall as at the date of this Offering Circular.

The Group serves as the primary overseas platform of the China Great Wall Group, focusing on NPA management business, financial service and investment business and property investment business. Leveraging the China Great Wall Group's brand name, business network and customer base, and the strong support from the China Great Wall Group, the Group acts as a cross-border investment platform and asset manager, providing services to both onshore and offshore clients.

With a strategic presence in Hong Kong, the Group is able to take advantage of access to both the onshore and offshore markets and the transferability of the Renminbi as well as the Hong Kong dollar and other foreign currencies. It plays a key role in the China Great Wall Group's strategy of becoming an international leading financial service provider by serving as a link between the China Great Wall Group's onshore business and its offshore funding and investment operations. As the offshore platform for accessing the international capital markets and the China Great Wall Group's primary overseas platform, the Group also helps maintain the China Great Wall Group's client relationships with large Chinese corporates and thus increases its overall competitiveness.

The Group is involved in NPA management business. In November 2019, the Group made its breakthrough in the NPA management business by successfully acquiring China Development Bank Hong Kong Branch's NPA package, the aggregate principal and interest of which amounted to approximately U.S.$1.2 billion. This was one of the first and largest NPA package acquisition businesses from financial institutions after the overseas platforms of the four AMCs returned to their core business and established the Guarantor's leading position amongst the overseas platforms of the four AMCs.

The Group manages and invests in financial assets by providing financial service and conducting investment business. The Group's financial service and investment business mainly includes fixed income and equity investments in both primary and secondary markets. To better serve its clients' needs, it also engages in asset management and corporate finance businesses. The Group has obtained licences to carry out various regulated activities, such as the licence to act as a money lender, as well as the licences for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571) (the "**SFO**").

The Group also manages and invests in real estate by conducting property investment business. The Group's property investment business is mainly conducted through the Guarantor's subsidiary, Great Wall Pan Asia Holdings Limited ("**GWPA**") (formerly known as Armada Holdings Limited (南潮控股有限公司), which is listed on the Hong Kong Stock Exchange (stock code 583)). As at 31 December 2019, the Guarantor indirectly held approximately 74.89 per cent. of the total issued share capital of GWPA.

GWPA contributes stable rental income and profit to the Group by investing in a diversified property portfolio comprising a number of strategically located investment and commercial properties, shopping centres, plazas and car parks in Hong Kong.

For the years ended 31 December 2017, 2018 and 2019, the Group's revenue was approximately HK$2,058.1 million, HK$2,312.1 million and HK$2,125.8 million, respectively; profit before taxation was recorded at HK$442.0 million, HK$809.4 million and HK$671.4 million, respectively; while profit for the year was recorded at HK$405.1 million, HK$754.3 million and HK$610.1 million, respectively. The decrease in revenue for the year ended 31 December 2019 as compared to the year ended 31 December 2018 was primarily due to the conversion of the Guarantor's current place of business (being the 20th and 21st floors of Bank of America Tower at 12 Harcourt Road Central, Hong Kong) which is owned by GWPA, from investment property to office space for self-use, leading to a decrease in fair value of investment property as compared to the year ended 31 December 2018.

As at 31 December 2017, 2018 and 2019, the Group had total assets of approximately HK$38,438.1 million, HK$37,905.9 million and HK$37,472.9 million, respectively, and net assets of approximately HK$1,503.5 million, HK$1,082.8 million and HK$4,952.4 million, respectively. The increase in the Group's net assets in 2019 was primarily due to the issuance a series of perpetual securities in the aggregate principal amount of U.S.$400 million in 2019, which was treated as equity for accounting purpose.

Competitive Strengths

The Group believes that the competitive strengths set out below differentiate it from other industry participants and have enabled it to compete effectively and seize growth opportunities:

- Leading position in the overseas NPA acquisition business among four AMCs
- Benefited from the strong support of and synergy with the China Great Wall Group
- Stable growth backed by excellent business model
- Robust business segments with advantage of onshore and offshore linkage
- Future strategy of focusing on its core NPA management business and optimising innovative development
- Diversified funding channels and long-term strategic partnerships with leading global financial institutions

- Experienced management team with high-calibre professionals

- Comprehensive and effective risk management system

Strategies

- Developing NPA management business vigorously while consolidating its traditional businesses

- Expanding and strengthening asset management with NPA management as its core business

See "*Description of the Group*" for further details.

Recent Development

Since the beginning of 2020, the outbreak of the coronavirus disease ("**COVID-19**") epidemic has caused many deaths, panic among the public and the delay in resumption of local business in the PRC after the Chinese New Year holiday in 2020 and the on-going COVID-19 outbreak has resulted in increased travel restrictions and extended delay or suspension of some business activities in China and worldwide. This has significantly disrupted many aspects of the economy globally, created a negative economic impact and increasing market volatility in the PRC and globally and continued to cause increasing concerns over the prospects of the financial market in the PRC.

For the three months ended 31 March 2020, revenue and profit for the period of the Group decreased compared to the corresponding period last year primarily due to the outbreak of COVID-19 and resulting impact on financial market. In the first quarter of 2020, in both the PRC and globally, business activities were delayed or largely suspended, which created high uncertainties and volatilities in the financial markets. The market value and trading of the stocks and bonds in the secondary market were largely affected, and the travel restrictions imposed between mainland China and Hong Kong posed difficulties for the Group to conduct due diligence on new projects and therefore disrupted the Group's landing of new projects.

As the COVID-19 situation has alleviated in the mainland China and Hong Kong, the Group has seen a recovery of its regular business activities since April 2020. It has engaged in the negotiation of new projects, with one project successfully signed and some of which have been in the process of obtaining regulatory approvals. Moreover, the secondary market has also seen a recovery from its first quarter performance. However, due to the new rounds of COVID-19 outbreak in Hong Kong and certain cities in Mainland China including Beijing since June 2020, the Group may experience slowdown in business again.

On 5 August 2020, GWPA issued profit warning (the "**Profit Warning**") on HKSE that based on the preliminary review of the unaudited consolidated management accounts of GWPA and its subsidiaries (the "**GWPA Group**") for the six months ended 30 June 2020 (the "**Reporting Period**") and the information currently available to GWPA, the GWPA Group is expected to record an unaudited consolidated loss attributable to its shareholders as compared to the unaudited consolidated profit attributable to its shareholders for the six months ended 30 June 2019, which is primarily attributable to:

- the expected fair value losses arising from the revaluations of the GWPA Group's investment properties as at 30 June 2020, as compared to the fair value gains on investment properties for the corresponding period in 2019; and

- the expected share of loss of an associate of the GWPA Group for the Reporting Period arising from the fair value losses on revaluations of the investment properties of such associate, as compared to the share of profit of an associate of the GWPA Group for the corresponding period in 2019.

The decrease in appraised value of the investment properties of the GWPA Group and its associate (which mainly comprise of commercial properties) was a result of the unprecedented adverse market condition caused by the outbreak of COVID-19 pandemic in the first half of 2020.

Notwithstanding the forgoing, the GWPA Group does not expect material effect on its operating cash flow, since the revaluation loss is non-cash in nature and the GWPA Group's investment properties and investment in an associate are held as long-term investments for stable and recurring rental income. It is of the view that its overall financial and business positions remain healthy.

The aforesaid information is only based on a preliminary assessment on the unaudited consolidated management accounts of the GWPA Group and the information currently available to GWPA, which have not been audited or reviewed by GWPA's auditor nor reviewed by the audit committee, and may be subject to amendments. As such, it should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Details of the GWPA Group's financial information will be disclosed in the interim results announcement for the Reporting Period which is expected to be published in August 2020. The Profit Warning is not and shall not be deemed to be incorporated by reference in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of the Profit Warning. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of GWPA or the Group.

In the face of the COVID-19 outbreak and complex macro-political and economic environment both domestically in the PRC and internationally, the Group will leverage its competitive strengths to actively expand its rich and diversified financing channels, fully utilises its established close strategic and cooperative partnerships, and further strengthen its relationships with the onshore and offshore major financial institutions to keep its competitive position. It will seize the development opportunities of the Guangdong – Hong Kong – Macau Greater Bay Area and rely on the Group's overall resources, to deepen synergies, expand domestic business and explore potential projects. The Group will also strengthen internal management and intensify the construction of corporate culture to main a strong workforce in the face of the changing environment.

THE OFFERING OF THE BONDS

The following contains summary information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form" shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds".

Issuer	China Great Wall International Holdings V Limited.
Guarantor	China Great Wall AMC (International) Holdings Company Limited.
The Bonds	U.S.$500,000,000 2.375 per cent. Guaranteed Bonds due 2030.
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds, as further described in Condition 1 (*Form, Denomination, Status, Ranking and Guarantee*) of the Terms and Conditions of the Bonds.
Issue Price	99.797 per cent.
Form and Denomination .	The Bonds will be issued in registered form and in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	18 August 2020.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 18 August 2020 at the rate of 2.375 per cent. per annum, payable semi-annually in arrear in equal instalments on 18 February and 18 August in each year, commencing on 18 February 2021.
Maturity Date	18 August 2030.
Status of the Bonds	The Bonds will constitute direct, general, unsecured, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee .	The Guarantee of the Bonds constitutes direct, general, unsecured, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Events of Default	The Bonds will contain certain events of default, including a cross-acceleration provision as further described in Condition 8 (*Events of Default*) of the Terms and Conditions of the Bonds.

Taxation	All payments of principal, premium (if any) and interest in respect of the Bonds and/or the Guarantee of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or the PRC, in each case including any political subdivision, territory or possession thereof, and any authority therein having power to tax (each as applicable, a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or the Guarantor, as the case may be, will pay such additional amounts to the extent required, as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions. See "*Terms and Conditions of the Bonds – Taxation*".
Negative Pledge	The Bonds contain a negative pledge provision, as further described in Condition 3(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds.
Final Redemption.	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 18 August 2030.
Redemption at the Option of the Issuer	The Bonds may be redeemed at the option of the Issuer in whole or in part, on giving not less than 30 nor more than 60 days' irrevocable notice (the "**Optional Redemption Notice**") (in accordance with Condition 15 (*Notices*)) to the Bondholders and in writing to the Trustee and the Principal Paying Agent at a redemption price equal to (A) (in the case of an Optional Redemption Date (as defined in the Terms and Conditions of the Bonds) falling before 18 May 2030 (being three months before the Maturity Date)) the Make Whole Price (as defined in the Terms and Conditions of the Bonds) as of the Optional Redemption Date, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date; or (B) (in the case of an Optional Redemption Date falling on or after 18 May 2030 (being three months before the Maturity Date)) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date.
Redemption for Taxation Reasons	The Bonds 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 Bondholders and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount, together with any interest accrued (if any) to (but excluding) the date fixed for redemption, in the event of certain changes affecting the taxes of a Relevant Jurisdiction, as further described in Condition 5(c) (*Redemption for tax reasons*) of the Terms and Conditions of the Bonds.

Redemption upon a Change of Control Triggering Event	At any time following the occurrence of a Change of Control Triggering Event (as defined in the Terms and Conditions of the Bonds), any Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Change of Control Put Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. of their principal amount, together with interest accrued up to but excluding such Change of Control Put Date.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders and in accordance with the trust deed for the Bonds (the "**Trust Deed**"), create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, first payment of interest and the timing for notification to the NDRC) so as to form a single series with the Bonds, as further described in Condition 14 (*Further Issues*) of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be represented by beneficial interests in a Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in such Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for beneficial interests in such Global Certificate, which will be exchangeable for individual Certificates only in the circumstances set out therein.
Clearance and Settlement	The Bonds have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2206799004 Common Code: 220679900
LEI.	254900N6H4J4MJJ8ZN67
Governing Law	English law.
Trustee	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent.	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Principal Paying Agent. .	The Bank of New York Mellon, London Branch.
Listing	Application has been made to HKSE for the listing of the Bonds by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Bonds on the HKSE will commence on 19 August 2020.
Rating.	The Bonds are expected to be assigned a rating of "BBB+" by S&P and "A-" by Fitch. Such rating of the Bonds does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by any Rating Agency.

Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities law of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".
Use of Proceeds	See "*Use of Proceeds*".

SUMMARY HISTORICAL FINANCIAL INFORMATION OF THE GUARANTOR

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

The summary consolidated financial information of the Guarantor as at and for the year ended 31 December 2017 has been derived from the Guarantor's 2018 Audited Financial Statements, as comparative. The summary consolidated financial information of the Guarantor as at and for the year ended 31 December 2018 has been derived from the Guarantor's 2019 Audited Financial Statements, as comparative, whereby the presentation of revenue and other income and gains or losses is different from that included in the Guarantor's 2018 Audited Financial Statements. These changes in presentation have had no impact on the reported profit for the year ended 31 December 2018 or any other financial statements as at and for the year ended 2018. The summary consolidated financial information of the Guarantor as at and for the year ended 31 December 2019 has been derived from the Guarantor's 2019 Audited Financial Statements.

The Guarantor's 2018 and 2019 Audited Financial Statements have been prepared and presented in accordance with HKFRS and interpretation promulgated by the Hong Kong Institute of Certified Public Accountants and are included in this Offering Circular (which have been audited by Deloitte).

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Guarantor's 2018 and 2019 Audited Financial Statements, including the notes thereto.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2017	**2018**	**2019**
		(HK$) *(audited)*	
Revenue and other income and gains or losses	2,058,071,069	2,312,146,582	2,125,831,374
Depreciation	(2,899,947)	(3,242,551)	(13,017,664)
Depreciation of right-of-use assets	–	–	(15,161,356)
Employee benefit expenses	(145,678,047)	(130,231,310)	(70,541,130)
Impairment loss of financial assets, net of reversal	(476,799,043)	(376,638,759)	(426,099,689)
Impairment loss on other assets	–	(191,217)	–
Other operating expenses	(186,257,630)	(135,835,333)	(111,928,587)
Share of results of investments accounted for using the equity method	3,955,563	297,121,500	416,822,537
Finance cost	(808,384,005)	(1,153,685,420)	(1,234,476,649)
Profit before taxation	442,007,960	809,443,492	671,428,836
Taxation expense	(36,956,300)	(55,166,662)	(61,350,609)
Profit for the year	405,051,660	754,276,830	610,078,227
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Disposal of equity instruments at fair value through other comprehensive income	–	–	(55,520)
Fair value change in equity instruments at fair value through other comprehensive income	–	(629,235,722)	(1,173,603)
Items that may be reclassified subsequently to profit or loss:			
Fair value change in debt instruments at fair value through other comprehensive income	–	(440,006,732)	185,431,148
Fair value change in available-for-sale investments	43,786,633	–	–
Exchange differences arising on translating a foreign operation	31,320,583	(12,489,165)	(58,909,880)
Disposal of available-for-sale investments	(59,280,522)	–	–
Disposal of debt instruments at fair value through other comprehensive income	–	11,458,773	58,345,123
Impairment loss on available-for-sale assets	398,131,000	–	–
Impairment loss on debt instruments at fair value through other comprehensive income	–	12,952,793	(21,312,122)
Total comprehensive (expense) income for the year	**819,009,354**	**(303,043,223)**	**772,403,374**

	For the year ended 31 December		
	2017	2018	2019
		(HK$) *(audited)*	
Profit for the year attributable to:			
Owners of the Company	335,670,622	601,671,088	485,857,015
Non-controlling interests	69,381,038	152,605,742	124,221,212
	405,051,660	754,276,830	610,078,227
Total comprehensive (expense) income attributable to:			
Owners of the Company	749,628,316	(455,648,965)	648,182,162
Non-controlling interests	69,381,038	152,605,742	124,221,212
	819,009,354	**(303,043,224)**	**772,403,374**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2017	2018	2019
		(HK$) *(audited)*	
Assets			
Non-current assets			
Fixed assets	8,277,474	5,886,913	1,268,050,958
Investment properties	1,908,400,000	3,942,700,000	2,889,600,000
Investments accounted for using the equity method	7,156,653	3,427,660,314	3,811,899,564
Available-for-sale financial assets	2,498,878,848	–	–
Financial assets at fair value through other comprehensive income	–	7,773,076,676	7,306,647,057
Financial assets at fair value through profit or loss	3,373,921,957	4,536,424,809	4,436,943,404
Loans and receivables	4,542,918,607	5,119,532,308	3,113,109,680
Restricted cash	–	9,198,808	10,225,655
Pledged deposits	–	284,021,439	–
Right-of-use assets	–	–	21,986,467
Goodwill	372,178,687	372,178,687	372,178,687
Total non-current assets	12,711,732,226	25,470,679,954	23,230,641,472
Current assets			
Loans and receivables	4,058,254,501	3,639,921,458	4,653,888,371
Prepayments	30,573,991	7,661,613	22,320,361
Amount due from a fellow subsidiary	–	23,756,183	–
Amount due from a joint venture	5,353,399	5,353,399	–
Available-for-sale financial assets	692,400,306	–	–
Financial assets at fair value through profit or loss	11,306,411,693	3,066,550,721	3,040,756,583
Pledged deposits	–	426,568,098	572,672,953
Cash and cash equivalents	9,633,370,174	5,265,368,000	5,952,658,072
Total current assets	25,726,364,064	12,435,179,472	14,242,296,340
Total assets	**38,438,096,290**	**37,905,859,426**	**37,472,937,812**
Equity and Liabilities			
Equity			
Share capital	358,661,400	358,661,400	358,661,400
Reserves	1,144,838,098	724,129,013	1,494,941,809
Total equity	1,503,499,498	1,082,790,413	4,952,430,095
Current liabilities			
Bank and other borrowings	9,352,683,058	9,102,241,198	7,061,917,381
Other payables and accruals	461,097,019	480,856,756	428,495,758
Amount due to an associate	1,054,275	958,275	–
Amount due to a fellow subsidiary	24,958,222	–	–
Financial liabilities at fair value through profit or loss	4,839,068	22,459,888	–
Lease liabilities	–	–	4,711,423
Tax liabilities	28,484,855	23,043,284	93,050,292
Total current liabilities	9,873,116,497	9,629,559,401	7,588,174,854

	As at 31 December		
	2017	2018	2019
		(HK$) *(audited)*	
Non-current liabilities			
Bank and other borrowings	27,052,693,130	27,184,623,810	24,903,698,041
Lease liabilities	–	–	17,952,208
Deferred tax liabilities	8,787,165	8,885,802	10,682,614
Total non-current liabilities	27,061,480,295	27,193,509,612	24,932,332,863
Total liabilities	36,934,596,792	36,823,069,013	32,520,507,717
Total equity and liabilities	**38,438,096,290**	**37,905,859,426**	**37,472,937,812**

SELECTED OTHER FINANCIAL DATA OF THE GUARANTOR

	As at 31 December		
	2017	2018	2019
Cost-to-income ratio[1]	16.3	11.6	9.9
Return on average assets (ROAA)[2]	1.29	1.98	1.62
Return on average equity (ROAE)[3]	36.95	58.33	20.20

1 Cost-to-income ratio = (depreciation + employee benefit expenses + other operating expenses)/revenue

2 ROAA = net profit/average total assets at beginning and end of the year

3 ROAE = net profit/average total equity at beginning and end of the year

RISK FACTORS

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

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

RISKS RELATING TO THE GROUP'S BUSINESS

Risks relating to the Group's NPA management businesses

If the Group is unable to maintain the growth of its NPA portfolio, the Group's competitive position, financial condition and results of operations may be materially and adversely affected.

Since the second half of 2018, the Group has shifted its focus to its function as a financial asset management company, aligning with the China Great Wall Group's main onshore businesses of NPA management, mergers and acquisitions (M&A) and restructuring. In light of the overarching development strategy of the "dual return" (namely "return to onshore, return to core NPA management business"), the Guarantor then made a strategic move to transform its business operations from cross-border financing, primary and secondary markets investments, third-party asset management and financial services, to NPA management.

The NPAs that the Group intends to acquire from financial institutions and non-financial enterprises typically primarily comprise NPLs sold by banks, NPAs sold by non-bank financial institutions and accounts receivable sold by non-financial enterprises. The Group's ability to generate sustainable revenue and ensure its business growth depends, to a certain extent, on its ability to acquire NPAs suitable for its business.

The supply of NPAs is affected by a number of factors. These include changes in macroeconomic conditions, asset quality and the business conditions of financial institutions and non-financial enterprises. Changes in the NPLs' balance of commercial banks in the PRC, the overall volume of accounts receivable of enterprises, macroeconomic conditions, the government's control and industry policies and market liquidity fluctuation could significantly impact the supply of NPAs. Therefore, the supply of NPAs in the PRC financial market may be limited or may change over a certain period of time. The amount of NPAs the Group is able to acquire depends on a number of factors beyond its control, such as the policies of the PRC central government or local governments, the willingness of banks and enterprises to sell their NPAs and the Group's competition with other AMCs. Should the Group fail to acquire NPAs at acceptable prices or at all, or if further changes in government policies with regard to NPA management prevent the Group from growing its NPA portfolio, the Group might have difficulties in maintaining a portfolio of quality NPAs in the long run and its competitive position, financial condition and results of operations may be materially and adversely affected.

The Group's acquisition of NPAs involves due diligence and modelling, which are subject to certain limitations and market factors that are beyond its control. These may limit the Group's judgements and evaluations in respect of its acquisition and disposal of NPAs.

The NPAs to be acquired by the Group are expected to be transferred from various financial or non-financial institutions both onshore and offshore which cover different industry sectors and geographic regions. NPAs acquired by the Group may not have effective collateral. The Group expects that it will determine its bidding prices for NPAs primarily by taking various factors into account, such as: (i) the quality of the relevant asset portfolio as described in the due diligence reports prepared by its in-house experts and/or qualified independent third-party valuers; (ii) the estimated costs associated with the management and disposal of such assets; and (iii) prevailing market conditions and intensity of competition, all of which involve significant judgement and estimates. There is no assurance that the Group's estimated costs would be sufficient to cover the actual costs involved or to cope with future market conditions. For instance, any uncertainties in the economic conditions of the PRC or overseas markets may materially and adversely affect the value of NPAs acquired by the Group.

Any deterioration in the value of collateral granted in connection with NPAs held by the Group will affect the amount which the Group is able to recover in the event of enforcement of such collateral.

In respect of NPAs that will be secured by collateral or guarantees, the collateral securing such NPAs is primarily expected to include properties and other assets located in the PRC or Hong Kong. The value of the collateral securing the Group's debt assets may significantly fluctuate or decline due to factors beyond the Group's control such as macroeconomic factors affecting the PRC economy. For example, a downturn in the real estate market in the PRC may result in a decline in the value of the real estate properties used to secure the Group's debt assets to a level significantly below the outstanding balance of principal and interest on such debt assets. Any decline in the value of such collateral may reduce the amounts that the Group can recover from such collateral and increase its impairment losses. Please refer to "*Risk Factors – Risks relating to the Group's Overall Business – Catastrophic events or any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19), which are unpredictable by nature, could materially and adversely affect the profitability of the Group.*".

Some of the guarantees relating to the Group's debt assets are provided by the relevant obligor's affiliates. Such debt assets are generally not secured by collateral or security interests. Significant deterioration in the financial condition of any of the guarantors could significantly decrease the amounts that the Group may recover from such guarantees. Moreover, the Group is subject to the risk that courts or other judicial or governmental authorities may declare collateral to be invalid or otherwise decline or fail to grant judgment in favour of enforcing such collateral. The Group is accordingly exposed to the risk that it may not be able to recover part or all of the guaranteed amounts for its debt assets.

Moreover, if the Group obtains assets in satisfaction of debt when acquiring or disposing of NPAs, it may not intend to hold these assets in satisfaction of debt for the long term. Land and buildings in satisfaction of debt owed to the Group may have defects because the land use rights or the building ownership have not been obtained by the previous owners or transferred to the Group. As a result, the Group may not be able to exercise its rights over such assets in satisfaction of debt, which may affect its ability to dispose of such assets in satisfaction of debt and to generate income.

The Group may not recover the value of its NPAs as expected due to changes in market conditions and the Group's ability to dispose of its NPAs is subject to the limited methods of disposal available in the PRC.

The Group generally records the NPAs at fair value and records profits when the amount of the proceeds it receives from the disposal of the NPAs exceeds the recorded fair value or purchasing costs of such assets. Recoverability of the NPAs depends on various factors, many of which are affected by market conditions, such as the economic conditions in the PRC and the world, then-existing market conditions, and changes in the relevant PRC laws and regulations. Therefore, the actual recovered value of the

NPAs could be significantly lower than expected and the Group may incur losses in relation to such NPAs. The occurrence of the above-mentioned factors may reduce the quality of the Group's NPAs portfolio or prevent the Group from recovering the fair value or purchasing costs of the relevant NPAs. In addition, the Group may have to occasionally recover the value of some of its NPAs through litigation or arbitration. There is no assurance, however, that the Group can achieve a desirable outcome in relation to its litigation or arbitration. The Group makes provisions in connection with its NPAs as required by relevant laws and regulations and relevant accounting policies. If the Group's application of its evaluation system or debt collection is insufficient, its provision for impairment loss may be insufficient to cover actual losses and the Group may need to make extra provisions for such impairment loss. This may materially and adversely impact the Group's business performance.

Acquisition of NPA from non-financial enterprises as a means to expand the Group's NPA portfolio and its future business development may be limited by the Group's relevant business experience and the regulatory environment.

Since the second half of 2018, the Group has shifted its focus to its function as a financial asset management company, aligning with the China Great Wall Group's main onshore businesses of NPA management, M&A and restructuring. The acquisition of NPA from non-financial enterprises could be a means by which the Group may expand its NPA portfolio. The Group may encounter difficulties with the assessment of the quality of such NPA.

In particular, the Group may not be able to make appropriate judgments in respect of the quality of assets and future income due to lack of sufficient historical data, or inappropriate application of appraisal model or approach for such assets. Furthermore, the current regulatory rules and policies relating to the acquisition of receivables from non-financial enterprises may change from time to time depending on the macroeconomic policies of the PRC government and the development of the NPA management industry. The Group may face more intense competition in the event that other AMCs are approved by regulatory authorities to conduct these businesses in the future. The Group's new business of acquiring NPA from non-financial enterprises could be adversely impacted should it be unable to effectively handle and address these risks and challenges, which may, in turn materially and adversely affect the Group's asset quality, financial condition and results of operations.

Risks relating to the Group's financial service and investment business

The Group's proprietary investment operations are subject to market volatility and its investment decisions.

The Group invests in equity, debt securities and other fixed income products for its own account, all of which are subject to market volatility and fluctuation in interest rates and, therefore, the results of its securities trading activities generally correlate with the performance of the securities markets in Hong Kong, the PRC, the United States and other jurisdictions, which could result in very significant fluctuations in the Group's year-on-year performance and financial position. While China's economy remains stable with enhanced resilience of economic growth, it is still confronted with complicated internal and external situations. Numerous uncertainties arising from the unrelenting trade disputes between China and the United States, the unsettled local social political events and the recent outbreak of coronavirus disease 2019 (COVID-19) have dampened the investment sentiment in the financial market and deepened market concerns about economic growth in year 2020, which have presented the Group with unprecedented severe challenges.

The performance of the Group's investment business is determined by its investment decisions and judgements based on its assessment of existing and future market conditions. The Group closely monitors the market value and financial performance of its proprietary trading portfolio, and actively adjusts such portfolio and allocates assets based on market conditions and internal risk management guidelines. However, the Group's investment decisions are a matter of judgement, which involves management discretion and assumptions. Its decision-making process may fail to effectively minimise losses, capture gains, or conform to actual changes in market conditions. In addition, the value of certain assets of the Group is subject to price fluctuations as a result of changes in the financial market's assessment of the relevant issuer's creditworthiness, delinquency and default rates and other factors. The decline in the value of such assets can result in the recognition of impairment losses, which in turn involves the judgement of the Group's management.

If the investee companies of the Group's fixed income investment business fail to repay the principal amount of investments and the returns thereon as scheduled due to the material deterioration of their operations, the Group's results of operations and financial condition may be materially and adversely affected.

The Group makes various fixed income investments. In respect of these fixed income investments, it has established a systematic investment risk management system with a focus on three critical stages (namely, pre-investment, investment and post-investment management).

At the pre-investment stage, the Group adopts a prudent approach in approving projects that are in line with the Group's investment direction, investment strategy, investment value and risk attributes requirements. Apart from thorough pre-due diligence by the Group's front office business units, the Group seeks external legal advice and internal approval from its compliance and business audit/ management departments in devising business plans, the drafting of agreements and release of funds, all to ensure the project is operating in compliance with relevant laws and under controllable risk. At the investment stage, the Group's front office business units provide quarterly standardised updates on the project status and fund usage on a quarterly basis. With respect to any risks identified in the post-investment stage, the Group requires its business units to report, evaluate, and implement risk-mitigating measures in time.

However, the repayment capabilities of the investee companies in these projects depend on their operating conditions, and such conditions will be affected by various factors such as the macroeconomic, regulatory and operating environment. If the operations of these investee companies experience material deterioration which is beyond the Group's anticipation, it may not be able to recover the principal amount of the fixed income investments and the returns thereof as scheduled, which could have a material adverse effect on its business, financial condition and results of operations.

The Group's investments in the real estate sector are subject to real estate market conditions and political and regulatory changes in Hong Kong and other relevant jurisdictions.

The Group makes substantial investments in the real estate sector. A majority of the Group's property portfolio is located in Hong Kong, and as such a substantial majority of the Group's revenue and profits sourced from the Group's investments in the real estate sector is derived in Hong Kong. Some of the Group's property-related investment is located in Canada and the United States. The real estate market is affected by many factors, including, without limitation, the general economic conditions, interest rates and supply and demand dynamics, as well as the political and regulatory situation, many of which are beyond the Group's control. For example, any disruption to Hong Kong's economy, such as an increase in interest rates, periods of significant inflation or deflation, or events such as the global financial crisis, the economic slowdown in the PRC, the potential interest rate increases in the United States, the trade war between the United States and the PRC as well as other political tension, the unsettled local social political events, the recent outbreak of COVID-19 and its dampening impacts on investment sentiments and economic activities may lead to a real estate market downturn in Hong Kong and other relevant jurisdictions. In addition, as leases of Hong Kong commercial properties are usually for a short duration (typically three years) compared to the long-term leases typically seen in the United States and other such markets, the Group's rental income from property may experience more frequent adjustment than would be the case in other real estate markets. Furthermore, rental levels in Hong Kong are subject to fluctuations in supply and demand. In recent years, the Hong Kong government has implemented various laws, regulations and policies to prevent an overheated real estate market from time to time and to ensure the stable, healthy and sustainable development of its real estate market, which may have a significant impact on the supply and demand in the property market in Hong Kong.

As such, investments in the real estate sector made by the Group may not be as stable and profitable as the Group expected. Any decline in the value of the Group's real estate assets could have an adverse effect on the Group's business, financial condition and results of operations.

The Group's direct equity investments may not generate any return and the Group may not be able to identify or acquire suitable investment targets.

The Group makes direct equity investments in private companies and invests in private equity funds with its own capital. The Group earns investment returns from dividends paid by its portfolio companies and generates capital gains from exits through an initial public offering of or sales of shares in its portfolio companies. The Group generally carefully identifies and selects a target company based on the profitability and sustainability of the target's operations. The Group may make unsound investment decisions, and the Group's portfolio companies may take longer than expected to mature to a stage suitable for an initial public offering. Further, the Group conducts a material part of its equity investment by way of capital investment in private companies and private equity funds, private investment in public equity ("**PIPEs**"), mezzanine investments such as investment in preferred stocks, and security products investment. Such investments may not have active trading markets and may have less liquidity as compared to investments in stocks or shares. As such, the Group's investment period would be longer than it anticipated, which could reduce the Group's returns on investments. In addition, the Group's ability to exit from a portfolio company is subject to market conditions. The Group may be forced to sell its equity investments at undesirable prices or defer sales for a considerable period of time or may not be able to sell at all due to market volatility or other reasons beyond the Group's control. In addition, there is no assurance that the Group could identify suitable targets for investment.

The Group invests in companies that it does not seek to control.

The Group typically invests in companies that it does not seek to control. These companies may make business, financial or management decisions with which the Group does not agree. The majority stakeholders or the management of these companies may take risks or otherwise act in a manner that does not serve the Group's best interests. In addition, these companies may not be as profitable as the Group expects. If any of the foregoing were to occur, the Group's business, financial condition and results of operations could be materially and adversely affected.

A significant decline in the size of the assets under management or poor management performance may materially and adversely affect the Group's asset management operations.

The Group receives asset management fees based on the value of its customer portfolios or investments in funds and trusts managed by it. In addition, the Group provides private equity fund management, collective asset management and targeted asset management schemes in which it may also earn performance fees. Investment performance affects the Group's assets under management and is one of the most important factors in retaining clients and competing for new business. Market volatility and limitations in investment options and hedging strategies in the jurisdictions such as the PRC could limit the Group's ability to provide stable returns for its clients and cause it to lose clients. Further market volatility, adverse economic conditions, or the failure to outperform competitors or the market may reduce the size of the assets under the Group's management or affect the performance of the funds or trusts it manages. Upon the occurrence of any of the above circumstances, existing clients might withdraw their investments from the Group in favour of better performing products provided by competitors; clients may request that the Group lower its fees for asset management services, particularly in an intensely competitive industry; the Group's incentive fees, which are based on a percentage of investment returns, could decline; and firms with which the Group has strategic alliances may terminate their relationships with the Group, and future strategic alliances may be unavailable. In addition, the Group may not be able to keep or increase its assets under management.

The Group's business involves judgements and estimates and other factors beyond its control, which could have a material adverse effect on its business, financial condition and results of operations.

The Group's business covers a wide range of investments and corporate finance advisory services. Making an accurate investment decision requires it to carefully identify and select a target company based on its business, financial condition, operations and the condition of the industry in which it operates. In general, this process involves a systematic analysis and estimation of the target company's profitability and sustainability. However, the Group may make unsound investment decisions due to fraudulent and concealed, inaccurate or misleading statements from a target company in the course of its due diligence, which could lead it to mistakenly estimate the value of the target company and affect its ability to make profit from such investments. In addition, the Group's understanding of and judgement on the industry in which the target company operates or its business may deviate and result in inaccurate investment decisions. The Group's private fund portfolio companies may fail to meet their obligations under the agreements entered into with it, which could result in a deterioration in the value of its investments. In such cases, the business, financial condition and results of operations of the Group's asset management business could be materially and adversely affected.

RISKS RELATING TO THE GROUP'S OVERALL BUSINESS

The Group's investment banking, asset management, and comprehensive financial service and investment businesses depend on its ability to raise funds from investors and retain the funds raised. A significant decline in the size of AUM and poor management performance may materially and adversely affect the Group's investment and asset management and comprehensive financial service and investment business.

The Group's ability to raise funds for its investment banking, asset management and comprehensive financial service and investment businesses depends on a number of factors, many of which are beyond the Group's control. For example, investors may reduce or withdraw their investments due to market volatility and unfavourable economic conditions as well as when the investment objective is achieved. Poor performance of the Group's asset management plans could also make it more difficult for the Group to raise new capital. The Group's investors and potential investors assess the Group's asset management performance, market benchmarks and performance of its competitors. To the extent that economic and market conditions deteriorate, the Group may be unable to raise sufficient funds to support the investment activities of future asset management plans. If the Group fails to raise funds, the financial condition and results of operations of its investment banking and asset management and comprehensive financial service businesses could be materially and adversely affected. Please refer to "*Risk Factors – Risks relating to the Group's Overall Business – Catastrophic events or any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19), which are unpredictable by nature, could materially and adversely affect the profitability of the Group.*".

Limitations on investment options and hedging strategies, as well as market volatility, could limit the Group's ability to provide stable returns for the Group's clients and retain their assets under the Group's management. Market volatility, adverse economic conditions or failure to outperform the Group's competitors or market benchmarks may reduce the scale of the Group's AUM or affect the performance of the Group's asset management plans, private funds or trust plans. In the event of any of the circumstances above, the Group's clients may withdraw their investments from the Group's asset management plans or private funds or terminate the trust contracts prior to the expiry dates. As a result, both the Group's management fees and performance fees may decline, and the Group's competitiveness, results of operations and financial condition may be materially and adversely affected.

The Group's business operations are subject to credit risk.

The Group is susceptible to credit risks associated with the deterioration in the credit quality of the relevant borrowers, which may be driven by socio-economic or customer-specific factors linked to economic performance. There can be no assurance that losses will not occur due to increased delinquencies. In addition, the Group is exposed to credit risk associated with its available-for-sale investments and held-to-maturity financial assets, which primarily consist of equity interests of the Group obtained through DES or direct investment. These investments may also be exposed to price fluctuations due to changes in the financial market's assessment of the issuer's creditworthiness, delinquency, default rates and other factors.

The Group's comprehensive financial service and investment business is susceptible to the credit risks associated with its counterparties. The failure of the Group's clients or counterparties to make payment or perform their obligations could have a material adverse effect on the Group's financial condition, results of operations and cash flow. In addition, the Group's financial leasing business faces credit risks which are primarily related to possible contract default by the lessees or guarantors.

Insufficient credit loss provision made by the Group to cover the actual loss may compel the Group to increase the provision and this could adversely impact the Group's financial condition and results of operations.

The Group's business operation is exposed to liquidity risk.

Due to the capital-intensive nature of the Group's business, a significant amount of cash is required. Having sufficient liquidity is therefore critical to the business operations of the Group. The confidence of the Group's customers or counterparties could be affected in the event of any drop in its liquidity level, which may result in loss of business and customers.

Factors which may adversely affect the Group's liquidity level include (a) unfavourable changes to the macroeconomic environment, policies or money markets; (b) the Group's failure to maintain current and future financing arrangements on commercially acceptable terms; (c) decreases in the recovery of cash from the disposal of assets due to unfavourable changes of capital markets; (d) firm-commitment underwriting transactions under investment banking business; (e) the failure to realise the value of invested financial assets at reasonable prices; (f) concentrated holdings of certain assets or asset categories; (g) mismatching of duration between assets and liabilities; (h) tightening of regulatory requirements, or other changes in regulations; and (i) weakened market and customer sentiment.

If the Group is unable to generate sufficient cash from its operational activities to meet its liquidity requirements, the Group would require external sources of financing.

There is no assurance that any additional means of financing will be made available to the Group on acceptable terms, if at all. This risk is exacerbated by the volatility in global credit markets. To the extent that additional means of financing prove to be unavailable when required for a particular investment or acquisition, the Group may be compelled to restructure the transaction or abandon the investment or acquisition plan altogether.

The Group's liquidity level could be further affected from within its own group as further capital is used by its subsidiaries. For example, a company that the Group acquires or invests in may also require additional financing to fund continuing operations and/or growth. The Group's subsidiaries or branches may request support from the Group to meet their liquidity requirements in their ordinary course of business. Some of the Group's subsidiaries may require additional capital injections from the Group to meet the relevant regulatory requirements. There is no assurance that the Group will be able to provide sufficient funds to its subsidiaries or branches or other companies acquired or invested by it on a timely basis, if at all. The occurrence of any of the above-mentioned circumstances could materially and adversely affect the financial condition and results of operations of the Group.

Allowance for credit losses may prove inadequate and the Group's credit costs may increase.

The Group reviews its NPLs, loans granted to clients or relevant borrowers and trade receivables, to assess whether impairment allowances should be made. In determining whether such impairment allowances should be recorded in its consolidated income statement, the Group's management considers various factors, such as the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. The Group is required to take into account many factors in its assessment of the ultimate realisation of these loans and advances, which includes the current creditworthiness of the borrowers, and the past collection history of each loan.

The complexity of the Group's operations and products exposes the Group to operating, marketing and other risks, and the Group's risk management and internal control systems may be ineffective or inadequate.

The Group has established risk management and internal control systems and procedures to manage potential risks associated with the broad range of financial services and products that it offers. The risk management and internal control systems may require constant supervision, maintenance and continual improvements by its senior management and staff. If the efforts of the Group to maintain these systems prove to be ineffective or inadequate, the Group may face operating, marketing and other risks. Deficiencies in the Group's risk management and internal control systems and procedures may hinder its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as affect its ability to identify any reporting errors and non-compliance with the rules and regulations.

The Group's risk management and internal control systems and procedures may be inherently limited by misjudgement, mistake or the Group's limited experience or resources in making accurate, complete, up-to-date or proper evaluations. In particular, the Group devises risk-management procedures that are based on observed historical market behaviour and the Group's experience. In rapidly developing markets, the information and experience that the Group relies on for its risk management methods may become quickly outdated as markets and regulations evolve.

Furthermore, the Group may not have adequate access to resources and trading counterparties to implement its trading and investment risk mitigation strategies and techniques effectively. If the Group's decision-making process fails to effectively minimise losses while capturing gains, the Group's financial performance may be materially and adversely affected.

There can be no assurance that the risk management and internal control systems established by the Group will be adequate or effective. Should the Group fail to address any internal control matters and other deficiencies, it could result in investigations and disciplinary actions or even prosecution being taken against the Group or its employees and/or disruption to the Group's risk management systems, which may have a material and adverse effect on its financial condition and results of operations.

There can be no assurance that the Group's due diligence will identify every matter that could have a material adverse effect on the Group.

The Group intends to conduct extensive business, financial and legal due diligence in connection with its general operations and especially for potential acquisition and investment opportunities. However, there can be no assurance that the Group's due diligence will be able to identify every matter which could have a material adverse effect on the acquisition or investment targets. As a result, the Group may fail to identify existing risks in relation to the business and operations of such investment targets through its due diligence. To the extent that any of the above-mentioned issues arises, the acquired assets and investments may not produce the returns envisaged by the Group and the Group's financial condition and results of operations may be materially and adversely affected.

The Group's acquisitions may not be successful.

The Group expands through the acquisition of entities and offers financial services or products which complement its own business operations. The Group intends to identify and acquire suitable targets in line with its development strategy. There can be no assurance that the Group will be able to identify suitable acquisition opportunities, negotiate acceptable terms or successfully acquire its identified targets. It is anticipated that the investigation into an acquisition or investment plan and the negotiation, drafting and execution of the relevant agreements, disclosure documents and other instruments will require a substantial amount of time and attention from management and incur substantial costs for the hiring of accountants, attorneys and other advisers. If such acquisition or investment plan fails to complete, the costs incurred up to that point for the proposed transaction may not be recovered.

Furthermore, even if an agreement is reached relating to a specific acquisition or investment target, the Group may not be able to implement the investment or acquisition plan for reasons beyond its control. For instance, the process of integrating an acquired business may involve unforeseen costs and delays, or other operational, technical and financial difficulties that may require a disproportionate amount of management attention, finances and other resources. Any failure to achieve consolidation savings, realise the expected synergies, successfully incorporate the acquired businesses and assets into the Group's existing operations or minimise any unforeseen operational difficulties could have a material adverse effect on its financial condition and results of operations.

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

The Group's exposure to interest rate risk is primarily associated with its interest income, interest expenses and fixed income securities. The Group earns interest income from bank deposits, fixed income securities held by the Group, financial assets held under resale agreements and margin financing and securities lending business. Interest income from these sources is generally linked to the prevailing market interest rates. During periods of declining interest rates, the Group's interest income would generally decrease. The Group generally makes interest payments on deposits that it holds on behalf of its customers and its short-term borrowings. These interest expenses are also typically linked to the prevailing market interest rates. During periods of rising interest rates, the Group's interest expenses and financing costs would increase. Significant interest rate fluctuations could reduce the Group's interest income or returns on fixed income investments or increase its interest expenses.

Future fluctuations in the value of the Hong Kong dollar could have an adverse effect on the Group's financial condition and results of operations.

While the Group's recording currency is the Hong Kong dollar, for the purposes of its financial statements, a small portion of the Group's revenue, expenses and bank borrowings is denominated in other currencies such as the Renminbi and the U.S. dollar as a result of the Guarantor's activities. As a result, fluctuations in exchange rates, particularly between the Renminbi, the Hong Kong dollar or the U.S. dollar, could affect the Group's profitability and may result in foreign currency exchange losses of its foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's, as well as international, political and economic conditions and the PRC government's fiscal and currency policies. Starting from 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, was based on rates set daily by PBOC based on the previous business day's inter-bank foreign exchange market rates and the current exchange rates on the world financial markets. For more than 10 years, the official exchange rate for conversion of Renminbi to U.S. dollar was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2.0 per cent. against the U.S. dollar. In July 2008, the PRC government announced that its exchange rate regime would change to a managed floating mechanism based on market supply and demand. Given domestic and overseas economic developments, PBOC decided to further adjust the Renminbi exchange rate regime in April 2012 to enhance the flexibility of the RMB exchange rate. On 17 March 2014, PBOC continued to expand the floating range of the Renminbi against the U.S. dollar. The PBOC surprised markets in August 2015 by devaluing the Renminbi several times, lowering its daily mid-point trading price significantly against the U.S. dollar. On 5 August 2019, PBOC set the

Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account, as well as boosting the competitiveness of the PRC's exports. The PRC government may make further adjustments to the exchange rate system in the future. There is no assurance that the Renminbi will not experience significant appreciation or depreciation against the Hong Kong dollar or U.S. dollar in the future. Any significant increase in the value of the Hong Kong dollar against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets.

The Group faces risks associated with its business expansion.

The Group is committed to providing new products and services to enhance its business competitiveness and will continue to expand the financial products and services it offers in line with the relevant PRC regulations, develop new customer relationships and enter into new markets. These activities expose the Group to new and potentially increasingly challenging risks, including, but not limited to:

- insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers;

- greater regulatory scrutiny, increased credit risks, market risks and operational risks, including the impact on the Group's capital as a result of stricter new regulatory policies on Capital Adequacy Ratios;

- potential impact on the investment return of the Group's financial services, such as trusts, due to overall economic conditions;

- reputational concerns arising from dealing with less sophisticated counterparties and customers;

- inadequate levels of service for its new products and services;

- failure to hire additional qualified personnel to support the offering of a broader range of products and services;

- unwillingness to accept the new products and services by the Group's customers or failure to meet profitability expectations;

- failure to obtain sufficient financing from internal and external sources to support business expansion; and

- unsuccessful enhancement of risk management capabilities and IT systems to identify and mitigate the risks associated with new products and services, new customers and new markets.

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

Some of the Group's competitors may have certain competitive advantages over the Group, such as greater financial resources, stronger brand recognition, a broader range of products and services, more extensive operating experience, higher market share and a more extensive distribution network.

There can be no assurance that the Group will be able to compete effectively against its existing and future competitors, or that competitive forces in the market will not alter the landscape of the industry such that the Group's business objectives would become unattainable.

The Group is subject to extensive regulatory requirements, non-compliance with which would materially and adversely affect the Group's financial condition and results of operations.

The Group is subject to extensive laws, policy and regulatory requirements issued by the relevant governmental authorities in the PRC and overseas (including Hong Kong). In particular, the Group's financial services are subject to supervision by various authorities, such as the SFC. These regulatory bodies promulgate requirements regarding the Group's businesses, such as capital adequacy, capital deposits, financial leverage ratios and other deposit requirements, use of capital, shareholders and qualification of key personnel, types of products and services offered, investment portfolio, and number and locations of branches. Compliance with the applicable laws, rules and regulations may restrict the Group's business activities and require it to incur increased expenses, restate or write down the value of its assets or increase its liabilities, and to devote considerable time to such compliance efforts.

In addition, pursuant to the applicable laws and regulations in the PRC and Hong Kong, the Group is required to obtain or renew approvals, permits and licences with respect to its relevant operations. There can be no assurance that the Group will be able to obtain or renew all necessary approvals, permits and licences on a timely basis or at all. The Group may not be able to obtain certificates for all of these properties due to title defects or for other reasons, which may adversely affect the Group's ownership rights in respect of these properties. There may be defects in the land use rights or building ownership of some of the Group's PRC associated companies in respect of their leased properties and certain of the Group's leases are not registered with the relevant PRC governmental authorities. Non-compliance with the relevant laws and regulations or the failure to obtain the relevant approvals could expose the Group to sanctions, fines, penalties, revocation of licences or other punitive actions, including suspension of the Group's business operations or restriction or prohibition on certain business activities. Furthermore, the relevant government authorities may adopt new laws and regulations or amend the interpretation of or enforcement of existing laws and regulations, or promulgate stricter laws and regulations, all of which may materially and adversely affect the Group's financial condition and results of operations.

The Group's historical financial information is not necessarily indicative of its future performance, and the Group may not be able to continue acquiring additional DES assets or explore other revenue resources and, as a result, its revenues may be volatile due to the nature of its business.

The Group's historical financial information included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or be used to predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow its historical trends for various reasons, including factors beyond its control, such as changes in the economic environment, competitive landscape and financial markets. For example, the returns on the historic disposal of assets may not be indicative of the Group's returns on disposing of other assets in the future. In addition, the Group formulates plans for the assets to be disposed of and estimates income from such disposals for each year based on its operation development, quality of assets, business growth strategies, and financial and operation targets. Furthermore, the Group may not be able to continue acquiring NPAs or explore other sources of income after disposing of part or all of its existing NPAs. Therefore, the amount of assets the Group disposed of and income generated therefrom for each year in the past do not reflect its disposal plans and possible income in the future.

The Group has historically experienced fluctuations of operating cash flows.

For the year ended 31 December 2019, the Group had net operating cash inflow of HK$1,205.6 million, and for the years ended 31 December 2017 and 2018, net operating cash outflow of HK$6,179.5 million and net operating cash outflow of HK$10.7 million, respectively. Negative operating cash flows may reduce the Group's financial flexibility and its ability to obtain additional borrowings from banks. Although the Group's net operating cash flow became positive in 2019, there can be no assurance that the Group will not continue to experience fluctuations in its operating cash flows in the future. The Group's liquidity and financial condition may be materially and adversely affected should the Group's future operating cash flows remain negative, and there can be no assurance that it will have sufficient cash from other sources to fund its operations. If the Group's operating activities fail to generate sufficient cash to satisfy its cash requirements, the Group has to increase its reliance on external financing to satisfy its working capital and capital expenditure, thus increasing its financial vulnerability and adversely affecting its financial condition and results of operations.

The implementation of new, and amendments to, HKFRS after 1 January 2018 renders the Guarantor's historical financial information as at and for the years ended 31 December 2017 and 2018 not directly comparable with the Guarantor's financial information after 1 January 2018 or 1 January 2019, respectively.

There are new standards and amendments to standards (the "**New and Revised HKFRSs**") which came into effect from 1 January 2018, including HKFRS 9 (*Financial Instruments*), HKFRS 15 (*Revenue from Contracts with Customers and the related Amendments*) and HKFRS 16 (*Leases*), HK(IFRIC) – Int 23 (*Uncertainty over Income Tax Treatments*), Amendments to HKFRS 9 (*Prepayment Features with Negative Compensation*), amendments to HKAS 19 (*Plan Amendment, Curtailment or Settlement*), amendments to HKAS 28 (*Long-term Interests in Associates and Joint Ventures*) and amendments to HKFRSs (*Annual Improvements to HKFRSs 2015-2017 Cycle*). See "*Note 2 Application of New and Amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**")*" to the Guarantor's 2018 Audited Financial Statements as contained in p.F-14 to p.F-20 of this Offering Circular and "*Note 2 Application of New and Amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**")*" to the Guarantor's 2019 Audited Financial Statements as contained in p.F-97 to p.F-102 of this Offering Circular for more details. The Guarantor's historical financial information as at and for the years ended 31 December 2017 and 2018 may not be directly comparable against the Guarantor's financial information after 1 January 2018 or 1 January 2019, respectively. Investors must therefore exercise caution when making comparisons of any financial figures after 1 January 2018 against the Guarantor's historical financial figures prior to 1 January 2018 and when evaluating the Guarantor's financial condition, results of operations and results.

The Group faces intense competition and its businesses could be materially and adversely affected if it is unable to compete effectively.

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

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

There is no assurance that the Group can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Group's business objectives would become impractical or impossible.

The Group's businesses may be adversely affected if it is unable to retain and hire qualified employees.

The success of the Group's business depends largely on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the financial service industry. These key personnel include members of the Group's senior management, licensed sponsor representatives, experienced investment managers, product development personnel, research analysts, traders, marketing and sales staff, and information technology and other operations personnel. Competition for attracting and retaining such qualified individuals is intense. Such competition may require the Group to offer higher compensation remuneration packages and other benefits in order to attract and retain qualified professionals and this could materially and adversely affect the Group's financial condition and results of operations. Failure to attract or retain qualified personnel could severely disrupt the Group's business and weaken the Group's prospects. For example, the Group may not be able to hire enough qualified personnel to support its new products and services to remain competitive. Furthermore, as the Group expands its business or hires new employees, the employees may take time to become accustomed to any new standard procedures and consequently may not be able to comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could result in the Group sustaining unexpected losses and the Group's revenue and financial condition may be materially and adversely affected. If any of the senior management or other key personnel of the Group joins or establishes a competing business, the Group may lose some of its customers and this could have a material adverse effect on its business.

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

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and overseas (including Hong Kong). The PRC's anti-money laundering laws require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish a customer identification system in accordance with the relevant rules, record the details of customer activities and to report suspicious transactions to relevant authorities.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist activity, such policies and procedures in certain cases have only been recently adopted and may not be able to completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. In the event that the Group fails to fully comply with the applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on the Group. There can be no assurance that the Group will not fail to detect money laundering or other illegal or improper activities. Such failure of the Group may affect its business reputation, financial condition and results of operations.

The Group may not be able to detect and prevent fraud or misconduct committed by the employees, representatives, agents, customers or other third parties of the Group or the Group's affiliates.

The Group may be exposed to fraud or misconduct committed by the employees, representatives, agents, customers or other third parties of the Group or the Group's affiliates that could affect its reputation and subject it to financial losses and sanctions imposed by governmental authorities. Such misconduct could include:

- concealing unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;

- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or improper activities;
- engaging in unauthorised or excessive transactions to the detriment of the Group; or
- otherwise not complying with applicable laws, regulatory rules of the applicable governing authorities or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure that overall compliance is adhered to.

However, such internal control procedures may not be able to identify all incidents of non-compliance or transactions of a suspicious nature in a timely manner if at all. It is not always possible to detect and prevent fraud and other misconduct at all levels, and the precautions the Group takes to prevent and detect such activities may also not be effective. There had been an incident involving a member of senior management of China Great Wall who is under investigation by PRC authorities for his personal violations of disciplines and laws. The relevant person has ceased to perform duties for China Great Wall.

There is no assurance that fraud or misconduct will not occur in the future. If such fraud or misconduct were to occur, it may cause negative publicity and/or media speculation, and if the Group fails to detect any fraud or misconduct in a timely manner or at all, it may have a material and adverse effect on the Group's business reputation, business, financial position and results of operations.

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

As the Group expands the scope of its business and client base, it is increasingly important to address potential conflicts of interest. These include situations where its services to a particular client or its own investments or other areas are in conflict, or are perceived be in conflict, with the interests of another client, situations where one or more of its business units have access to material non-public information that may also not be shared with another business unit within the firm, and situations where the Group may be a counterparty of an entity with which the Group also has an advisory or other relationship.

The Group has procedures and controls that are designed to identify and address such conflicts of interest, including those designed to prevent the improper sharing of information among its businesses.

Appropriately identifying and dealing with conflicts of interest is complex. The Group's reputation could be damaged and the willingness of clients to enter into transactions with the Group may be adversely affected should the Group fail, or appear to fail, to identify, disclose and appropriately address such conflicts of interest. Furthermore, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions against the Group.

Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect the Group's reputation, business, results of operations and financial condition.

The Group is exposed to risks associated with litigation relating to its operations, such as the risk of lawsuits and other legal actions relating to information disclosure, financial products design, sales practices, fraud and misconduct, as well as the protection of personal and confidential information of its customers. The Group may be exposed to arbitration claims and lawsuits in the ordinary course of its business. The Group may also be subject to inquiries, investigations and proceedings by regulatory and other governmental agencies in actions brought against it, which may result in settlements, injunctions, fines, penalties or other results adverse to it or damage to its reputation. Even if the Group is successful in defending itself against such actions, there could be significant costs incurred in the process. The Group may also be subject to regulatory actions from time to time. A substantial legal liability or a significant regulatory action could have a material and adverse effect on the Group's operations, reputation and business prospects.

There can be no assurance that the number of legal claims and amount of damages sought in litigation and regulatory proceedings will not increase in the future. A significant judgment or regulatory action against the Group or a disruption in its business arising from adverse adjudications in proceedings against its directors, officers or employees would have a material adverse effect on the Group's liquidity, business, financial condition, results of operations and prospects.

Catastrophic events or any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19), which are unpredictable by nature, could materially and adversely affect the profitability of the Group.

The Group's businesses expose it to risks arising out of catastrophic events or force majeure events that are by nature unpredictable. Catastrophes can be caused by various natural hazards such as hurricanes, typhoons, floods, earthquakes, severe weather, fires and explosions. Catastrophes can also be artificially induced, such as terrorism, wars and industrial or engineering accidents. In addition, an epidemic or pandemic such as avian influenza, severe acute respiratory syndrome, Middle East Respiratory Syndrome, Ebola virus, swine flu caused by H1N1 virus, more recently COVID-19, or perception of the relevant disease, can adversely affect the Group's business.

The outbreak, or threatened outbreak, of any severe communicable disease could materially and adversely affect the overall business sentiment and environment, economic systems and financial markets in the PRC or globally, particularly if such outbreak is inadequately controlled. This could materially and adversely affect domestic consumption, labour supply and possibly the GDP growth of the PRC. The Group has PRC operations from which it derives revenue and any labour shortages, contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the Group's business, financial condition and results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's clients and independent contractors, which could materially and adversely affect the Group's business, financial condition and results of operations.

For example, the outbreak of the COVID-19 epidemic has caused many deaths, panic among the public and the delay in resumption of local business in the PRC after the Chinese New Year holiday in 2020 and the on-going COVID-19 outbreak has resulted in increased travel restrictions and extended delay or suspension of some business activities in China and worldwide. This has significantly disrupted many aspects of the economy globally, created a negative economic impact and increasing market volatility in the PRC and globally and continued to cause increasing concerns over the prospects of the financial market in the PRC. In particular, in February and March 2020, the COVID-19 outbreak caused stock markets worldwide to lose significant value and impacted economic activities in Asia and worldwide. A number of governments revised GDP growth forecasts downward for 2020 in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 may cause a prolonged global economic crisis or recession.

Given the high uncertainties associated with the COVID-19 epidemic as at the date of this Offering Circular, it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected. There is no assurance that the outbreak will not lead to decreased demand for services the Group provides; nor is there assurance that the outbreak will not have an adverse impact on the PRC economy and the Group's customers in or outside the PRC. The outbreak may also adversely affect the abilities of the Group to keep normal operations and provide uninterrupted services to its customers.

The occurrence of these events may increase the cost of doing business, adversely affect the Group's operations or those of its clients, or result in losses in the Group's investment portfolios, due to, among other things, the failure of its counterparties to perform, or significant volatility or disruption in the financial markets, all of which may in turn adversely affect the Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PRC

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

The PRC economy differs from the economies in developed countries in many respects, including its structure, the degree of government involvement, growth rate, control of capital investment or foreign exchange, rate of inflation, trade balance position and allocation of resources, 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 economy has been transitioning from a planned economy to a more market-oriented economy. Although, in recent years, the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect the Group's business. The PRC government continues to play a significant role in regulating the industry's development by imposing relevant policies. It also exercises significant control over the PRC economic growth through allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

The growth of the Group's business depends significantly upon the continuation of economic development and growth in the PRC. The PRC has experienced rapid economic development in the last decade, but there have been signs of a slowdown in economic growth in recent years, and there is no assurance that economic growth will continue at such rates either in the PRC generally or in the particular areas in which the Group's operations and investments are located. A sustained period of slower growth in the PRC could have a material adverse effect on the Group's financial condition, results of operations and prospects. In the past, the PRC government has implemented various economic reforms and administrative measures to restrain economic growth rates that were considered unsustainably high, and to calm inflation fears. Such actions may result in an economic slowdown, which could have negative macroeconomic effects in the PRC and PRC-related markets. Specific actions taken by the PRC government in recent years include raising the deposit reserve requirements for banks, directing banks to reduce extending loans to overheating sectors of the economy, such as the property industries, tightening and enforcing restrictions on land use to reduce new property investment and infrastructure projects, and taking measures to reduce speculative currency inflows which may be invested in construction and related industries. Some of these reforms and measures benefit the overall

PRC economy, but may also have a material adverse effect on the Group. For example, the Group's financial condition and results of operations may be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to the Group.

In general, an actual slowdown in the economy or any form of government control or newly implemented laws and regulations, depending on the nature and extent of such changes and the Group's ability to make corresponding adjustments, may result in a material adverse effect on the Group's business and operating results.

The slowdown of the PRC's economy caused in part by the volatility of the global economic conditions may have an adverse effect on the Group's business, results of operations and financial condition.

China has been one of the world's fastest growing economies, as measured by GDP growth in the past 30 years and has become the world's second largest economy by gross GDP since 2010. However, the global crisis in financial services and credit markets since 2008 and the volatility in the global economic conditions since then has caused a slowdown in the growth of the global economy, with a corresponding impact on the PRC economy. Although the global and PRC economies have largely recovered, there can be no assurance that any such recovery is sustainable. In addition, macroeconomic events, such as the tightening of monetary policy by the PRC and other governments, the sovereign debt crisis in Europe and the United Kingdom's withdrawal from its membership of the European Union may have an adverse effect on the global and the PRC economies. The ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States plans to impose on Chinese imports have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Furthermore, the recent outbreak of COVID-19 and its spread worldwide are expected to introduce more uncertainty and volatility in global markets, as it remains unknown when the ongoing situation will improve and whether any effective containment of the spread of the coronavirus can be achieved. The ongoing outbreak of COVID-19 has also resulted in increased travel restrictions and extended delay or suspension of some business activities on a global level.

China's real GDP growth rate has decreased from 10.6 per cent. in 2010 to 6.6 per cent. in 2018 and 6.1 per cent. in 2019, and China's economy is still facing considerable downward pressure. As a result of global economic cycles, there can be no assurance that the PRC economy will grow in a sustained or steady manner. Any slowdown or recession in the PRC economy may reduce the Group's investment opportunities and affect its ability to develop new projects or obtain sufficient financing, which may in turn have an adverse effect on its business, results of operations and financial condition.

The Group's business is subject to market fluctuations and general economic conditions.

The Group's business is exposed to market fluctuations and general economic conditions. Unfavourable financial or economic conditions, such as those caused by the recent global financial and economic crisis, have adversely affected both the global financial markets and investor confidence in them, and may continue to do so in the future. Furthermore, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment, consumer confidence, declining asset values, capital market volatility and liquidity issues have created difficult operating conditions in the past and may continue to do so in the future.

Price fluctuations in capital markets and commodity markets may adversely affect the Group's financial condition. The value of the Group's investment portfolio, which includes stocks, bonds, private equity, NPAs and the DES equity, is closely affected by the performance of capital markets and the market price of commodities. Adverse economic and market conditions could negatively affect the value and returns on the Group's financial assets and investments, which could reduce the value of the Group's trading and investment positions, affect the Group's profitability, limit the Group's liquidity and reduce the Group's opportunities to realise gains and exit from the Group's investments.

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer and the Guarantor, the Group, the Joint Lead Managers or their respective directors, officers, employees, affiliates or advisers.

Some of the facts and statistics in this Offering Circular relating to the PRC, the PRC economy and industries in which the Group operates and its related industry sectors are derived from various publications and obtained in communications with various agencies that the Issuer and the Guarantor believe to be reliable. However, none of the Issuer and the Guarantor, the Group, the Joint Lead Managers or their respective directors, officers, employees, affiliates or advisers can guarantee the quality or reliability of certain source materials. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Offering Circular relating to the PRC economy and the industries in which the Group operates, and its related industry sectors may be inaccurate. In all cases, investors should consider how much weight or importance they should attach to or place on such facts and statistics.

Uncertainty with respect to the PRC legal system, lack of uniform interpretation and effective enforcement may cause significant uncertainties to the Group's operations.

As a substantial part of the Group's businesses are conducted, and a substantial part of the Group's assets are located, in the PRC, its operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until some time after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group will be subject to uncertainties in its operations.

It may be difficult to effect service of process on or enforce judgments obtained from non-PRC courts against the Group, its directors or executive officers who live in the PRC.

Certain directors and senior management personnel of the Group reside within the PRC, and a proportion of the Group's assets and the assets of such persons are located in the PRC. Therefore, it may not be possible for investors to effect service of process on or enforce judgments obtained from non-PRC courts against the Group, its Directors or its executive officers who live in the PRC. The PRC does not have treaties or arrangements providing for the recognition and enforcement of civil judgments of the courts of the United Kingdom, the United States, most other western countries or Singapore. As a result, recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be impossible. On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), which is still in full force and effect as at the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"), which was signed on 18 January 2019, comes into effect. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enters into force, the Arrangement shall still apply. Under the Arrangement, where any designated People's Court of the Mainland or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, the rights under the arrangement are limited and the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

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

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments, as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside Hong Kong will be limited.

There is foreign exchange control in the PRC.

The Group's PRC subsidiaries are subject to PRC laws and regulations on currency conversion. In the PRC, SAFE regulates the conversion of Renminbi into foreign currencies. Currently, foreign-invested enterprises ("**FIEs**") are required to apply to SAFE for "**Foreign Exchange Registration Certificates for FIEs**". With such registration certifications, FIEs are allowed to open foreign currency accounts, including the "**basic account**" and "**capital account**". Currently, conversion within the scope of the "**basic account**", for current account type purposes, such as the remittance of foreign currencies for payment of dividends, can be effected without the approval of SAFE. According to a SAFE circular on reformation on Administration Method of Foreign Currency Capital Settlement of Foreign-invested Enterprise, the FIEs may choose the conversion of currency in the "**capital account**", for capital items such as direct investments, loans and securities, to be subject either: (i) to a payment settlement administration method under which the foreign currency capital shall be converted into RMB when each payment takes place; or (ii) if such foreign currency capital contribution has been registered with SAFE, to a voluntary settlement administration method under which FIEs may convert 100.0 per cent. of registered foreign currency capital into RMB and deposit such RMB into an account specially set up for future payments. Under either administration method, use of the foreign currency capital or settled RMB shall be authentic and compliant with PRC laws.

The Group has PRC subsidiaries that are FIEs, and the ability of these subsidiaries to pay dividends or make other distributions to the Group may be restricted by, among other things, the availability of funds, and statutory and other legal restrictions, including PRC foreign exchange control restrictions. To the extent that the ability of the Group's subsidiaries to distribute to the Group is restricted, it may have an adverse effect on the Group's cash flows.

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

Under the Enterprise Income Tax Law (the "**EIT Law**") of the PRC, an enterprise established outside the PRC with a "*de facto* management body" within the PRC is deemed a "resident enterprise", meaning that it can be treated as a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income". The implementing rules of the EIT Law define "*de facto* management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on 22 April 2009, and modified on 8 November 2013 and 29 December 2017, respectively (the "**Circular 82**"), provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "*de facto* management body" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within the PRC. On 1 September 2011, the State Administration of Taxation promulgated the Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group (the "**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its *de facto* management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

The Issuer and the Guarantor believe that they are currently not PRC resident enterprises and, as confirmed by the Issuer and the Guarantor, as at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that it is considered as a "resident enterprise" for the purpose of the EIT Law. However, neither the Issuer nor the Guarantor can assure Bondholders that it will not be deemed a "resident enterprise" under the EIT Law and other applicable implementation regulations and, therefore, be subject to enterprise income tax at a rate of 25.0 per cent. on its global income in the future. If neither the Issuer nor the Guarantor is considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on the Bonds to the overseas Bondholders will not be subject to PRC withholding tax.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10.0 per cent. is normally applicable to PRC-sourced income derived by non-resident enterprises, subject to adjustment by applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-sourced income if the enterprise or the establishment that pays or bears the interest is situated in the PRC. If the Issuer or the Guarantor is deemed a PRC resident enterprise for tax purposes, interest paid to overseas Bondholders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at a rate of 10.0 per cent. for enterprise Bondholders and 20.0 per cent. for individual Bondholders (or a lower treaty rate, if any).

Any gains realised on the transfer of the Bonds by such Bondholders may also be subject to PRC income tax at a rate of 10.0 per cent. for corporate Bondholders or 20.0 per cent. for individual Bondholders, if such gains are regarded as PRC-sourced. According to an arrangement between the PRC and Hong Kong for the avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

On 23 March 2016, the MOF and the State Administration of Taxation ("**SAT**") jointly issued the Circular of Full Implementation of Business Tax to VAT Reform (Cai Shui [2016] No. 36)(關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號))(the "**Circular 36**"), which provides that all business tax payers are included in the pilot programme to pay VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC or is deemed a PRC resident. As Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on capital gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

RISKS RELATING TO THE BONDS AND THE GUARANTEE OF THE BONDS

Interpretation and enforcement of the laws in the PRC may involve uncertainties.

Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations which provide general guidance on economic and business practices in the PRC, as well as regulating foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the Bonds or the Guarantee of the Bonds.

In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainties. The interpretation of PRC laws may be subject to domestic political and policy changes. For example, on 14 September 2015, the NDRC issued 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證登記制管理改革的通知(發改外資[2015] 2044號))(the "**NDRC Circular**"), which came into effect on the same date. According to the NDRC Circular, domestic enterprises and/or their overseas controlled entities shall procure the registration of any issue of debt securities outside the PRC with the NDRC prior to such issue and notify the particulars of such issue within a prescribed timeframe after such issue. The NDRC Circular's interpretation may involve uncertainty, and the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. The Guarantor has completed the pre-issue registration with respect to the Bonds with NDRC on 4 August 2020 and will submit the issue information to the NDRC after the Issue Date. However, there is no assurance that the Guarantor will be able to comply with the NDRC requirements to provide the notification of the Instruments to the NDRC within the prescribed timeframe. Whilst the NDRC Circular does not expressly state the legal consequences of non-compliance with such post-issue notification requirements, the NDRC has indicated that issuers, underwriters, counsels and other parties involved in the transaction may be blacklisted and punished for non-compliance with the NDRC Circular requirements. Therefore, there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for the Issuer and the Guarantor, the Bonds or the investors in the Bonds. There is also no assurance that the registration 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 Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

In addition, on 11 January 2017, People's Bank of China (the "**PBOC**") issued the Circular on Matters in relation to Overall Macro-prudential Management for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知(銀發[2017]9號))(the "**Macro-prudential Notice**"), which came into effect on the same day of issuance. According to the Macro-prudential Notice, domestic institutions that borrow funds in domestic and foreign currencies from non-residents shall complete the recordation with the PBOC or State Administration of Foreign Exchange ("**SAFE**"), either before the cross-border financing (after the execution of cross-border financing agreements but no later than three PRC business days prior to withdrawal) in the case of domestic enterprises, or after the cross-border financing in the case of domestic financial institutions under the macro cross-border financing restriction mechanism established on the basis of the capital or net assets of micro entities. The Macro-prudential Notice does not provide an explanation on the activities that are conducted by overseas entities that are controlled by domestic enterprises or financial institutions or deemed to be conducted by such domestic enterprises or financial institutions, thus the Macro-prudential Notice is not applicable to the issuance of Bonds. However, as the Macro-prudential Notice is a recent regulation and its interpretation may involve significant uncertainty, there is no assurance that the PBOC would not make further interpretations indicating the opposite.

In addition, the Group cannot predict the effects of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to the Group and investors in the Bonds. The Group may be required, in the future, to procure additional permits, authorisations and approvals for the Group's existing and future operations, which may not be obtainable in a timely fashion or at all. Any failure to obtain such permits or authorisations may have an adverse effect on the Group's financial condition and results of operations.

Neither the PRC government nor China Great Wall has obligations under the Bonds or the Guarantee of the Bonds.

Neither the PRC government nor China Great Wall is an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Guarantee of the Bonds in lieu of the Issuer or the Guarantor. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業技融資行為有關問題的通知(財金[2018]23號)) promulgated on 28 March 2018 and which took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) promulgated on 11 May 2018 and which took effect on the same day.

The MOF as one of the Guarantor's indirect shareholders only has limited liability in the form of its equity contribution in China Great Wall. China Great Wall as the Guarantor's shareholder only has limited liability in the form of its equity contribution in the Guarantor. As such, neither PRC government nor China Great Wall has any payment obligations under the Bonds or the Guarantee of the Bonds. The Bonds are solely to be repaid by the Issuer (the Guarantee of the Bonds by the Guarantor) and the obligations under the Bonds or the Guarantee of the Bonds shall solely be fulfilled by the Issuer or the Guarantor, as applicable, each as an obligor under the relevant transaction documents and as an independent legal person.

The credit rating assigned to the Bonds may not reflect all risks and may be suspended, downgraded or withdrawn.

The Bonds are to be rated "BBB+" by S&P and "A-" by Fitch. The rating represents the opinion of the Rating Agencies and its assessment of the ability of the Issuer and the Guarantor to perform its obligations under the Bonds and the Guarantee of the Bonds, respectively, and credit risks in determining the likelihood that payments will be made when due under the Bonds. A credit rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time. Neither the Issuer nor the Guarantor is obligated to inform any holder of any Bonds if the rating is suspended, downgraded or withdrawn.

The credit rating of the Bonds may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors may affect the value of the Bonds. In addition, the credit rating of the Bonds could also be affected by the credit rating of China Great Wall. There is no assurance that a rating will remain for any given period of time or that a rating will not be suspended, downgraded or withdrawn entirely by the rating agency if, in its judgement, circumstances in the future so warrant. None of the Trustee, the Agents or the Group has any obligation to inform Bondholders of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Bonds, the rating assigned to the Guarantor or the rating assigned to China Great Wall may adversely affect the market price of the Bonds.

The Bonds and the Guarantee of the Bonds are unsecured obligations.

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

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

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

The Issuer's ability to make payments under the Bonds will depend on timely payments under on- lent loans of the proceeds from the issue of the Bonds.

The Issuer is a wholly owned subsidiary of the Guarantor formed for the principal purpose of issuing the Bonds and will on-lend the entire proceeds from the issues to other entities of the Group. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Bonds depends on timely payments under such loans. In the event that the recipients of such on-lent loans do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Bonds may be adversely affected.

The Bonds may be redeemed early at the Issuer's option.

In respect of the Bonds, such Bonds may be redeemed at the Issuer's option in the circumstances as set forth in Condition 5(b) (*Redemption at the option of the Issuer*) of the Terms and Conditions of the Bonds. An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Each of the Issuer and the Guarantor has limited assets, which affects its ability to make payments under the Bonds and/or the Guarantee of the Bonds.

On certain dates, including the occurrence of a redemption event of the Bonds, the Issuer, failing which the Guarantor, may be required to redeem all of the Bonds. However, the Issuer is a special purpose vehicle, which does not generate any revenue and the Guarantor has limited assets and recorded net current liabilities in recent years. If such an event were to occur, the Issuer or the Guarantor (as applicable) may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's or the Guarantor's (as applicable) failure to repay, repurchase or redeem tendered Bonds would give the Trustee the right to accelerate payment under the Bonds, which will constitute a default under the terms of other indebtedness of the Group.

The Issuer may raise other capital which affects the price of the Bonds.

The Issuer may raise additional capital through the issue of other securities or other means. Other than certain restrictions on issuing certain secured indebtedness or guaranteed indebtedness as set out in the Terms and Conditions of the Bonds, 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 to, or *pari passu* with, the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a winding-up of the Issuer. 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 Bonds and/or the ability of the Bondholders to sell their Bonds.

The Bonds and the Guarantee of the Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds and the Guarantee of the Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Bonds will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable law. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or the Guarantee of the Bonds or make any funds available therefor, whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Bonds and the Guarantee of the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Guarantor may in the future acquire or establish.

The Bonds and the Guarantee of the Bonds are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the

Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Issuer's or the Guarantor's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

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

If the Issuer or the Guarantor is unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, result in a default under the Issuer's or the Guarantor's other debt agreements or result in an Event of Default under the Bonds. If any of these events occur, neither the Issuer nor the Guarantor can assure Bondholders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

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

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate (**provided that** the non-resident enterprise does not have offices or premises in the PRC or that has offices or premises in the PRC but such gains are not effectively connected therewith) and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, any holder of any Bonds who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds, if such capital gains are not connected with an office or premises that the Bondholders have in the PRC.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

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

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the date on which agreement is reached to issue the Bonds for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction. Although, pursuant to the Terms and Conditions of the Bonds, the Issuer or the Guarantor, as the case may be, is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event that it or, as the case may be, the Guarantor has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or (only where such tax or withholding is in excess of the rate applicable on 12 August 2020) the PRC or any political subdivision, territory, possession thereof or any authority therein having power to tax as a result of any change in, or amendment to, the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the application or official interpretation of such laws, rulings or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 12 August 2020.

The liquidity and price of the Bonds following the offering may be volatile.

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

An investment in the Bonds is subject to interest rate risks.

An investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of them. The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which neither the Issuer nor the Guarantor has any control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

An active trading market for the Bonds may not develop and there may be limited liquidity for the Bonds.

The Bonds may initially be sold to a limited number of investors. One or a limited number of investors may purchase a significant portion or all the Bonds offered. The Bonds are a new issue of securities for which there is no trading market prior to their issue. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. None of the Joint Lead Managers is obligated to make a market in the Bonds. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the Bondholders will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

If any of the Bonds are traded after their initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar securities and the market for the Bonds and other factors, including general economic conditions and the Group's financial condition, performance and prospects. The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. No assurance can be given as to the future price level of the Bonds after their initial issue.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds 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 Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds 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 Bonds;

- understand thoroughly the terms of the Bonds 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.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds 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 (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Terms and Conditions of the Bonds provide only limited protection against significant corporate events that could adversely impact the investors' investment in the Bonds.

While the Terms and Conditions of the Bonds contain terms intended to provide protection to Bondholders upon the occurrence of certain events involving significant corporate transactions and the creditworthiness of the Issuer or the Guarantor, these terms are limited and may not be sufficient to protect the investors' investment in the Bonds.

The Trust Deed for the Bonds also does not:

- require the Guarantor to maintain any financial ratios or specific levels of net worth, revenue, income, cash flows or liquidity;
- restrict the Guarantor's subsidiaries' or consolidated affiliated entities' ability to issue unsecured securities;
- incur unsecured indebtedness that would be senior to the Issuer's equity interests in the Group's subsidiaries or consolidated affiliated entities and therefore rank effectively senior to the Bonds;
- limit the ability of the Guarantor's subsidiaries or consolidated affiliated entities to service indebtedness;
- restrict the Issuer or the Guarantor's ability to redeem or prepay any other of the Issuer or the Guarantor's securities or other indebtedness; or
- restrict the Guarantor's ability to make investments or to repurchase or pay dividends or make other payments in respect of the Issuer's shares or other securities ranking junior to the Bonds.

As a result of the foregoing, when evaluating the terms of the Bonds, the investors should be aware that the terms of the Bonds do not restrict the Issuer's or the Guarantor's ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on the investors' investment in the Bonds.

The Terms and Conditions of the Bonds do not restrict the Group's ability to incur additional debt including issuing notes or providing guarantees for notes or to take other actions that could negatively impact holders of the Bonds.

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

Certain facts and statistics are derived from publications not independently verified by the Group, the Joint Lead Managers or their respective advisers.

Facts and statistics in this Offering Circular relating to global economy and the relevant industries are derived from publicly available sources. While the Issuer and the Guarantor have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, employees, agents, officers, representatives or advisers and, therefore, none of these parties make any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

The insolvency laws of the British Virgin Islands, Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the Bondholders are familiar.

As the Issuer was incorporated under the laws of the British Virgin Islands and the Guarantor was incorporated under the laws of Hong Kong, any insolvency proceeding (including a Winding-Up) relating to the Issuer or the Guarantor would likely involve the British Virgin Islands or Hong Kong insolvency laws, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

There may be less publicly available information about the Group than is available for public companies in certain other jurisdictions.

The Group will follow the applicable corporate disclosure standards for debt securities listed on the HKSE, which standards may be different from those applicable to debt securities listed in certain other countries. The Group will be subject to reporting obligations in respect of the Bonds to be listed on the HKSE. The disclosure standards imposed by the HKSE may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds and the Trust Deed by the Trustee or less than all of the Bondholders, and decisions may be made on behalf of all the Bondholders that may be adverse to the interest of the individual Bondholders.

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

The Terms and Conditions of the Bonds also provide that the Trustee may (but shall not be obliged to), without the consent of Bondholders, agree to any modification (other than a proposed breach or breach relating to the subject of certain reserved matters) of the Trust Deed (which includes the Terms and Conditions of the Bonds) and/or the Agency Agreement which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the Bondholders and to any modification which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds or the Trust Deed (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**"). Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in each Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Bondholders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Trustee may request Bondholders to provide an indemnity, security and/or pre-funding to its satisfaction.

In certain circumstances, including, without limitation, taking enforcement steps pursuant to the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute such proceedings, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds 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 Bondholders to take such steps and/or actions and/or institute such proceedings directly.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, which will be endorsed on the individual Certificates evidencing the Bonds.

The U.S.$500,000,000 2.375 per cent. guaranteed bonds due 2030 (the "**Bonds**", which expression includes any further bonds issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of China Great Wall International Holdings V Limited (the "**Issuer**") was authorised by a resolution of the board of directors of the Issuer passed on 11 August 2020. The Bonds are guaranteed by China Great Wall AMC (International) Holdings Company Limited (中國長城資產(國際)控股有限公司) (the "**Guarantor**"). The giving of the Guarantee of the Bonds was authorised by resolutions of the Guarantor passed on 11 August 2020. The Bonds are constituted by, are subject to, and have the benefit of, a trust deed dated 18 August 2020 (as the same may be amended, restated, modified, supplemented, replaced and/or novated from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 18 August 2020 (as the same may be amended, restated, modified, supplemented, replaced and/or novated from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), any other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, any other Paying Agents and the Transfer Agent and any reference to an "**Agent**" is to any one of them.

Certain provisions of these terms and conditions (these "**Conditions**") are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Holders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. For so long as any Bond remains outstanding, copies of the Trust Deed and the Agency Agreement are available for inspection by Holders at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, other than public holidays) at the principal office of the Trustee (being as at the Issue Date at One Canada Square, London E14 5AL, United Kingdom) and at the specified office of the Principal Paying Agent, in any such case following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent.

All capitalised terms not defined in these Conditions have the meanings ascribed to them in the Trust Deed.

1. FORM, DENOMINATION, STATUS, RANKING AND GUARANTEE

(a) *Form and denomination:* The Bonds are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Bonds:* The Bonds constitute direct, general, unsecured, unsubordinated and unconditional obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) *Guarantee of the Bonds:* The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds (the "**Guarantee of the Bonds**"). The Guarantee of the Bonds constitutes direct, general, unsecured, unsubordinated and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

*Upon issue, the Bonds will be evidenced by a global Certificate ("**Global Certificate**") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") and will be exchangeable for individual Certificates only in the circumstances set out therein.*

2. REGISTER, TITLE AND TRANSFERS

(a) *Register:* The Registrar will maintain a register (the "**Register**") outside of the United Kingdom in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title:* The Holder of each Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of the Holders as set out in Condition 13 (*Enforcement*).

(c) *Transfers:* Subject to the Agency Agreement and Conditions 2(f) (*Closed periods*) and 2(g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Certificates:* Within seven business days of the surrender of a Certificate in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount of the Bonds transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(e) *No charge:* The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but (i) against such indemnity and/or security and/or pre-funding as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer; (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent being satisfied that the regulations referred to in Condition 2(g) (*Regulations concerning transfers and registration*) below concerning transfer of Bonds have been complied with.

(f) *Closed periods:* No Holders may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest in respect of the Bonds or (ii) after any Bond has been called for redemption.

(g) *Regulations concerning transfers and registration:* All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar and by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the relevant Holder) by the Registrar to any Holder who requests in writing a copy of such regulations and provides proof of holding and identity satisfactory to the Registrar.

3. CERTAIN COVENANTS

(a) *Negative Pledge:* For so long as any Bond remains outstanding (as defined in the Trust Deed), each of the Guarantor and the Issuer will not, and will not permit any of its respective Subsidiaries (other than any Listed Subsidiary) to create, incur, assume or permit to exist any Security Interest upon any of its property or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness of the Guarantor, the Issuer or any such Subsidiary (or any guarantees or indemnity in respect thereof) outside of the PRC without, in any such case, making effective provision whereby the Bonds and the Guarantee of the Bonds will be secured either at least equally and rateably with such Relevant Indebtedness or by such other Security Interest as shall have been approved by the Holders as provided in the Trust Deed, for so long as such Relevant Indebtedness will be so secured.

The foregoing restriction will not apply to:

(A) any Security Interest which is in existence on or prior to the Issue Date;

(B) any Security Interest either over any asset acquired after the Issue Date which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the Guarantor's Subsidiary after the Issue Date which is in existence at the date on which it becomes the Guarantor's Subsidiary and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Security Interest may not be increased); provided that any such Security Interest was not incurred in anticipation of such acquisition or of such company becoming the Guarantor's Subsidiary;

(C) any Security Interest created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after the Issue Date, provided, however, that (i)(x) any such Security Interest shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired) and; (y) to the extent that such Security Interest shall secure any other property or asset, the principal amount of the debt encumbered by such Security Interest shall not exceed the cost of the applicable acquisition, development or improvement and (ii) any such Security Interest shall be created concurrently with or within two years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;

(D) any Security Interest on any loan extended by a Finance Subsidiary to the Guarantor, the Issuer or any of its Subsidiaries or on any Capital Stock of a Finance Subsidiary; and

(E) any renewal or extension of any of the Security Interests described in the foregoing clauses which is limited to the original property or asset covered thereby.

(b) *Rating Maintenance:* For so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Holders, the Issuer shall use all reasonable endeavours to maintain a rating on the Bonds by a Rating Agency.

(c) *Limitation on Business Activities:* For so long as the Bonds are outstanding, the Issuer will conduct no business or any other activities other than the offering, sale or issuance of bonds, notes or other securities (including any further securities issued in accordance with Condition 14 (*Further Issues*)), the lending of the proceeds thereof to the Guarantor or a Subsidiary of the Guarantor, directly or indirectly, and located in a jurisdiction outside the PRC, the maintenance of the Issuer's corporate existence and any other activities in connection therewith.

(d) *Financial Statements:* For so long as any Bond remains outstanding, each of the Issuer and the Guarantor will furnish the Trustee with (i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance without liability to any Holder or any other person) within 180 days after the end of the fiscal year of the Guarantor; (ii) as soon as they are available, but in any event within 180 days after the end of each Relevant Period, copies of the Guarantor Audited Financial Reports audited by a firm of independent accountants; and (iii) as soon as they are available, but in any event within 135 days after the end of each Relevant Period, copies of Guarantor Unaudited Financial Reports prepared on a basis consistent with the Guarantor Audited Financial Reports,

provided however, that if at any time the Capital Stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor, in lieu of the statements and reports identified in Conditions 3(d)(ii) and 3(d)(iii) above, shall have the option to deliver to the Trustee, as soon as they are available but in any event not more than 10 days after any financial reports of the Guarantor are filed with any recognised exchange on which the Guarantor's Capital Stock is at any time listed for trading, true and correct copies of any financial report filed with such exchange.

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

(A) any Person formed by such consolidation or into which the Guarantor or the Issuer, as the case may be, is merged or to whom the Guarantor or the Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation (which, in the case of the Issuer, is the Guarantor or is a Person 100 per cent. of the equity of which is directly owned by the Guarantor) validly existing under the laws of the jurisdiction of its organisation and such Person expressly assumes by a supplemental trust deed to the Trust Deed all the obligations of the Guarantor or the Issuer under the Trust Deed, the Bonds or the Guarantee of the Bonds, as the case may be;

(B) immediately after giving effect to the transaction, no Event of Default, and no event which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided in Condition 8 (*Events of Default*), become an Event of Default, shall have occurred and be continuing;

(C) any such Person not organised and validly existing under the laws of (or any such Person resident for tax purposes in a jurisdiction other than) Hong Kong or any successor jurisdiction (in the case of the Guarantor) or the British Virgin Islands or any successor jurisdiction (in the case of the Issuer) shall expressly agree in a supplemental trust deed that its jurisdiction of organisation or tax residence (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Jurisdictions (as defined in Condition 7 (*Taxation*)); and

(D) if, as a result of the transaction, any property or asset of the Guarantor or any of the Guarantor's Subsidiaries would become subject to a Security Interest that would not be permitted under Condition 3(a) (*Negative Pledge*) above, the Guarantor, the Issuer or such successor Person takes such steps as shall be necessary to secure the Bonds at least equally and rateably with the Relevant Indebtedness secured by such Security Interest or by such other Security Interest as shall have been approved by Holders pursuant to the Trust Deed.

(f) *Notification to NDRC:* The Guarantor undertakes to provide or cause to be provided a notification to the NDRC of the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the NDRC Circular.

The Trustee shall have no duty to monitor or ensure or to assist with the notification to the NDRC of such information and/or documents as aforesaid on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any such information and/or documents or to obtain or receive copies of any information and/or documents notified by the Guarantor to the NDRC as contemplated in this Condition 3(f) (*Notification to NDRC*), and the Trustee shall not be liable to any Holders or any other person for not doing so.

4. INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.375 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$11.875 per Calculation Amount (as defined below) on 18 February and 18 August in each year (each an "**Interest Payment Date**") commencing on 18 February 2021.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Holders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5. REDEMPTION AND PURCHASE

(a) *Final redemption:* Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 18 August 2030 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5 (*Redemption and Purchase*).

(b) *Redemption at the option of the Issuer:* The Bonds may be redeemed at the option of the Issuer in whole or in part, on giving not less than 30 nor more than 60 days' irrevocable notice (the "**Optional Redemption Notice**") (in accordance with Condition 15 (*Notices*)) to the Holders and in writing to the Trustee and the Principal Paying Agent at a redemption price equal to

(A) (in the case of an Optional Redemption Date falling before 18 May 2030 (being three months before the Maturity Date)) the Make Whole Price as of the Optional Redemption Date, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date; or

(B) (in the case of an Optional Redemption Date falling on or after 18 May 2030 (being three months before the Maturity Date)) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date.

(c) *Redemption for tax reasons:* The Bonds 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 to the Holders (in accordance with Condition 15 (*Notices*)) and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount, together with any interest (if any) accrued to but excluding the date fixed for redemption if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any change in or amendment to the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or application of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment (i) in the case of the Guarantor or the Issuer becomes effective on or after 12 August 2020 and (ii) in the case of any successor to the Guarantor or the Issuer that is organised or tax resident in a jurisdiction that is not a Relevant Jurisdiction as of 12 August 2020 becomes effective on or after the date such successor assumes the Guarantor's or the Issuer's obligations, as applicable, under the Bonds and the Trust Deed (each a "**Gross-Up Event**"),

(A) (1) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Bonds to pay Additional Amounts with respect to the Bonds as provided or referred to in Condition 7 (*Taxation*) and (2) such obligation cannot be avoided by the use of reasonable measures available to the Issuer or any successor person, as the case may be; or

(B) (1) the Guarantor is or (if a demand was made under the Guarantee of the Bonds) would be required on the next succeeding due date for a payment with respect to the Bonds to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) and (2) such obligation cannot be avoided by the use of reasonable measures available to the Guarantor or any successor person, as the case may be,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due or (as the case may be) a demand under the Guarantee of the Bonds were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 5(c) (*Redemption for tax reasons*), the Issuer shall deliver or procure that there is delivered to the Trustee (x) a certificate in English signed by any Authorised Signatory of the Issuer stating that the circumstances referred to in Condition 5(c)(A) above prevail and setting out the details of such circumstances or (as the case may be) a certificate in English signed by any Authorised Signatory of the Guarantor stating that the circumstances referred to in Condition 5(c)(B) above prevail and setting out details of such circumstances and (y) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment. The Trustee shall be entitled to (but shall not be obliged to) accept and rely upon such certificate and opinion (without further investigation or enquiry and without liability to the Holders or any other person) as sufficient evidence of the satisfaction of the circumstances set out in Conditions 5(c)(A) and 5(c)(B) above, in which event the same shall be conclusive and binding on the Holders. Upon the expiry of any such notice as is referred to in this Condition 5(c) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(c) (*Redemption for tax reasons*).

(d) *Redemption upon a Change of Control Triggering Event:* At any time following the occurrence of a Change of Control Triggering Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that

Holder's Bonds on the Change of Control Put Date at 101 per cent. of their principal amount, together with interest accrued to but excluding such Change of Control Put Date. In order to exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control Triggering Event, or, if later, 30 days following the date upon which notice thereof is given to Holders by the Issuer in accordance with Condition 15 (*Notices*).

The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 5(d) (*Redemption upon a Change of Control Triggering Event*). A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice in writing to Holders in accordance with Condition 15 (*Notices*) and to the Trustee and the Principal Paying Agent in writing by not later than 30 days following the first day on which it becomes aware of the occurrence of a Change of Control Triggering Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 5(d) (*Redemption upon a Change of Control Triggering Event*).

(e) *No other redemption:* The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in Conditions 5(a) (*Final redemption*) to 5(d) (*Redemption upon a Change of Control Triggering Event*) above.

(f) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price and such Bonds may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(g) *No duty to monitor:* The Trustee and the Agents shall not be obliged to take any steps to ascertain whether a Gross-Up Event, a Change of Control or a Change of Control Triggering Event has occurred or to monitor the occurrence of any Gross-Up Event, a Change of Control or a Change of Control Triggering Event, and shall not be liable to the Holders or any other person for not doing so.

(h) *Cancellation:* All Bonds so redeemed shall be cancelled and all Bonds so cancelled and any Bonds cancelled pursuant to Condition 5(f) (*Purchase*) above may not be reissued or resold.

(i) *Calculations:* Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or Put Exercise Notice (including by way of example and not of limitation any Make Whole Price) and none of them shall be liable to the Holders or any other person for not doing so.

6. PAYMENTS

(a) *Principal:* Payments of principal shall be made by transfer to a U.S. dollar account maintained by the payee and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Certificates at the specified office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made by transfer to a U.S. dollar account maintained by the payee and (i) (in the case of interest payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Certificates at the specified office of any Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*) any law implementing an intergovernmental approach. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days:* Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the specified office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day.

(e) *Record date:* Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**").

Whilst the Bonds are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).

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

7. TAXATION

(a) *Gross up:* All payments of principal, premium (if any) and interest in respect of the Bonds and/or the Guarantee of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (in these Conditions, "**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or the PRC, in each case including any political subdivision, territory or possession thereof, and any authority therein having power to tax (each as applicable, a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer or (as the case may be) the Guarantor as a result of the Issuer or the Guarantor being deemed by PRC tax authorities to be a PRC tax resident, at the rate up to and including the applicable rate in effect in the PRC on 12 August 2020 (the "**Applicable Rate**"), the Issuer or the Guarantor, as the case may be, will pay such additional amounts to the extent required, as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

If the Issuer or the Guarantor is required to make (i) such deduction or withholding by or within the PRC, in excess of the Applicable Rate or (ii) any deduction or withholding by or within Hong Kong or the British Virgin Islands, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

(A) to a Holder (or to a third party on behalf of a Holder) who is liable to such Taxes in respect of such Bond by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond; or

(B) where the relevant Bond Certificate is presented or surrendered for payment more than 30 days after the Relevant Date, except to the extent that the Holder of such Bond would have been entitled to such Additional Amounts on presenting or surrendering such Bond Certificate for payment on the last day of such period of 30 days.

(b) *Taxing jurisdiction:* If the Issuer or the Guarantor (or any successor of the Issuer or the Guarantor) becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Hong Kong or the PRC, references in these Conditions to the Relevant Jurisdiction shall be construed to include such other jurisdiction.

Any reference in these Conditions to principal or interest shall be deemed to include any Additional Amounts in respect of such principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

(c) *Not liable:* Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 (*Taxation*) 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, the Guarantor, 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 Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at 100 per cent. of their principal amount together (if applicable) with accrued and unpaid interest:

(a) *Non-Payment of Principal:* failure to pay principal on any of the Bonds after the date such amount is due and payable, upon optional redemption, acceleration or otherwise; or

(b) *Non-Payment of Interest:* failure to pay interest on any Bond within 30 days after the due date for such payment;

(c) *Breach of Other Obligations:*

(i) failure by the Issuer or the Guarantor to comply with its obligations under the covenants described in Condition 3(e) (*Consolidation, Merger and Sale of Assets*); and

(ii) failure by the Issuer or the Guarantor to perform any of its other covenants or agreements under the Trust Deed (other than those referred to in Conditions 8(a) (*Non-Payment of Principal*), 8(b) (*Non-Payment of Interest*) and 8(c)(i) above or where such failure gives rise to a right of redemption pursuant to Condition 5(d) (*Redemption upon a Change of Control Triggering Event*)), and such failure continues for 60 days after there has been given, by registered mail, to the Guarantor or the Issuer, as the case may be, by the Trustee written notice specifying such failure and requiring it to be remedied;

(d) *Cross-acceleration:* (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Guarantor, the Issuer or any Relevant Subsidiary, (ii) acceleration of the maturity of any Indebtedness of the Guarantor, the Issuer or any Relevant Subsidiary following a default by the Guarantor, the Issuer or any such Relevant Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt by the Trustee of the written notice from the Guarantor or the Issuer as provided in the Trust Deed, or (iii) failure to pay any amount payable by the Guarantor, the Issuer or any Relevant Subsidiary under any guarantee or indemnity in respect of any Indebtedness of any other Person if such obligation is not discharged or otherwise satisfied within 10 days after receipt by the Trustee of written notice as provided in the Trust Deed; *provided, however*, that no such event set forth in (i), (ii) or (iii) of this Condition 8(d) (*Cross-acceleration*) shall constitute an Event of Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds U.S.$30 million (or its equivalent in any other currency);

(e) *Guarantee not in force:* the Guarantee of the Bonds ceases to be in full force or effect or the Guarantor denies or disaffirms its obligations under the Guarantee of the Bonds;

(f) *Unsatisfied judgment:* failure by the Guarantor, the Issuer or any Relevant Subsidiary to pay one or more final judgments from a court of competent jurisdiction in the PRC, the British Virgin Islands, Hong Kong, or a member country of the Organisation for Economic Cooperation and Development, aggregating in excess of U.S.$30 million (or its equivalent in other currencies), which judgments are not paid, discharged or stayed for a period of 60 days, during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) *Winding up, etc.:* (i) a decree or order is entered (A) for relief in respect of the Guarantor, the Issuer or any Relevant Subsidiary in an involuntary case of winding-up or bankruptcy proceeding under applicable law or (B) adjudging the Guarantor, the Issuer or any Relevant Subsidiary bankrupt or insolvent, or (ii) in connection with the bankruptcy or insolvency of the Guarantor, the Issuer or any Relevant Subsidiary, a decree or order is entered seeking a reorganisation, a winding up, an arrangement, an adjustment or a composition, with creditors, of or in respect of the Guarantor, the Issuer or any Relevant Subsidiary under applicable law, or (iii) a decree or order is entered appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Guarantor, the Issuer or any Relevant Subsidiary or of all or substantially all of their respective properties, or ordering the winding up or liquidation of any of their affairs, and in each case, any such decree or order remains unstayed and in effect for a period of 60 consecutive days; except in each case, (x) for the purposes of and followed by a reconstruction, restructuring and rehabilitation, amalgamation, reorganisation, merger or consolidation of a Relevant Subsidiary whereby the assets or undertakings of such Relevant Subsidiary are vested in or otherwise transferred to the Guarantor, the Issuer or any Subsidiary of the Guarantor in any combination, or (y) a disposal of a Relevant Subsidiary on an arm's length basis where the consideration received from such disposal is transferred or otherwise vested in the Guarantor or any of its Subsidiaries;

(h) *Insolvency:* the Guarantor, the Issuer or any Relevant Subsidiary institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganisation or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or the Guarantor, the Issuer or any Relevant Subsidiary files a petition or answer or consent seeking reorganisation or relief under applicable bankruptcy, insolvency, reorganisation or similar law, or consents to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any of the Guarantor, the Issuer or any Relevant Subsidiary or of all or substantially all of its respective property, or makes an assignment for the benefit of creditors, or takes corporate action in furtherance of any such action; except in each case, (x) for the purposes of and followed by a reconstruction, restructuring and rehabilitation, amalgamation, reorganisation, merger or consolidation of a Relevant Subsidiary whereby the assets or undertakings of such Relevant Subsidiary are vested in or otherwise transferred to the Guarantor, the Issuer or any Subsidiary of the Guarantor in any combination, or (y) a disposal of a Relevant Subsidiary on arm's length basis where the consideration received from such disposal is transferred or otherwise vested in the Guarantor or any of its Subsidiaries;

(i) *Security enforced:* (i) a distress, attachment, execution, any other legal process is levied, enforced or sued out on or against, or (ii) any mortgage, charge, pledge, lien or other encumbrance, present or future, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person), in each case with respect to, all or substantially all of the property, assets or revenues of the Guarantor, the Issuer or any of the Relevant Subsidiaries, as the case may be, and is not discharged or stayed within 60 days;

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

(k) *Unlawfulness:* it is or will become unlawful for any of the Guarantor and the Issuer to perform or comply with any one or more of their respective obligations under any of the Bonds and/or the Trust Deed.

9. PRESCRIPTION

Claims for payment in respect of the Bonds shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar and the Transfer Agent, subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require or, as the case may be, the Transfer Agent or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or prefunded and relieved from responsibility and liability in certain circumstances and to be paid or reimbursed for its fees, costs, expenses and indemnity payments and for any liabilities incurred by it in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Holders as a class and, in particular but without limitation, the Trustee will not be responsible or liable for any consequence for individual Holders as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

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

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or the Guarantor, and any other person appointed by the Issuer or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. Neither the Trustee nor any of the Agents shall be under any obligation to monitor compliance by the Issuer or the Guarantor or any other person with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; provided, however, that:

(a) the Issuer and the Guarantor shall at all times maintain a principal paying agent and a registrar; and

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

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

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, the Guarantor and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

12. MEETINGS OF HOLDERS, MODIFICATION, WAIVER, SUBSTITUTION OR VARIATION

(a) *Meetings of Holders:* The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Bonds, including the modification of any provision of these Conditions, the Agency Agreement or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Bonds subject to its being first indemnified, provided with security and/or pre-funded to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than 50 per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more Persons being or representing Holders whatever the principal amount of the Bonds held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more Persons holding or representing not less than 75 per cent. or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution passed by Electronic Consent (as defined in the Trust Deed) or a resolution in writing signed by or on behalf of Holders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Bonds will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) *Modification and waiver:* The Trustee may, without the consent of the Holders, agree (i) to any modification of these Conditions, the Agency Agreement or the Trust Deed (in each case, other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Holders and (ii) to any modification of the Bonds, the Agency Agreement or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may without the consent of the Holders authorise or waive any proposed breach or breach of the Bonds, the Agency Agreement or the Trust Deed (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Holders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified by the Issuer to the Holders as soon as practicable thereafter in accordance with Condition 15 (*Notices*).

(c) *Substitution:* The Trust Deed contains provisions under which the Guarantor or any Subsidiary of the Guarantor may, without the consent of the Holders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds provided that certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee of the Bonds is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Bonds. No Holder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Holder except to the extent provided for in Condition 7 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

(d) *Direction from Holders:* Notwithstanding anything to the contrary in these Conditions, the Trust Deed or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Holders by way of an Extraordinary Resolution and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which in its opinion it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

None of the Trustee or any Agent shall be liable to any Holder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Holders. The Trustee shall be entitled to rely on any direction, request or resolution of Holders given by Holders of the requisite principal amount of the Bonds outstanding or passed at a meeting of Holders convened and held in accordance with, or otherwise passed in accordance with, the Trust Deed.

13. ENFORCEMENT

The Trustee may at any time, at its absolute discretion and without notice, take and/or institute such actions, steps and/or proceedings as it thinks fit to enforce its rights under the Trust Deed and the Agency Agreement and in respect of the Bonds, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified, prefunded or provided with security to its satisfaction.

No Holder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest and the timing for notification to the NDRC) so as to be consolidated and form a single series with the Bonds. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of securities provided that the Rating Agencies which have provided credit ratings in respect of the Bonds have been informed of such issue and such issue will not result in any adverse change in the then credit rating(s) of the Bonds.

15. NOTICES

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

So long as the Global Certificate is held on behalf of Euroclear and Clearstream or any other clearing system, any notice to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to the relevant clearing system, for communication by such clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. GOVERNING LAW AND JURISDICTION

(a) *Governing law:* The Bonds and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds and the Trust Deed are governed by English law.

(b) *Jurisdiction:* Each of the Issuer and the Guarantor has in the Trust Deed (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Trust Deed, the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) in the case of the Issuer, designated a person in Hong Kong to accept service of any process on its behalf.

(c) *Waiver of immunity:* To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

17. DEFINITIONS

In these Conditions:

"**Additional Amounts**" has the meaning ascribed to it in Condition 7 (*Taxation*);

"**business day**" means: (a) in respect of Condition 2 (*Register, Title and Transfers*), a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its specified office; (b) in respect of Condition 4 (*Interest*), any day on which banks are open for general business (including dealings in foreign currencies) in New York, Hong Kong and in the place in which the specified office of the Principal Paying Agent is located; and (c) in respect of Condition 6 (*Payments*), any day on which banks are open for general business (including dealings in foreign currencies) in London, Hong Kong and New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed);

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

"**Change of Control**" means the occurrence, at any time, of any of the following:

(a) China Great Wall Asset Management Co., Ltd. (the "**Company**") ceasing to own and control, directly or indirectly at least 50.1 per cent. of the Voting Shares of the Guarantor; or

(b) the Guarantor ceasing to own and control directly 100 per cent. of the Capital Stock of the Issuer; or

(c) the government of the PRC or Persons controlled by the government of the PRC ceasing to Control the Company;

"**Change of Control Triggering Event**" means a Change of Control, provided however, that, in the event that the Bonds are, on the Rating Date, rated Investment Grade by one or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated;

"**Comparable Treasury Issue**" means the U.S. Treasury security selected by the Independent Investment Bank as having a maturity comparable to the remaining term of the Bonds from the relevant Optional Redemption Date to the Maturity Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date;

"**Comparable Treasury Price**" means the United States Treasury security selected by the Independent Investment Bank as having a maturity comparable to the remaining term of the Bonds from the relevant Optional Redemption Date to the Maturity Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date;

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

(a) no Event of Default, or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Events of Default*), become an Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) each of the Issuer and the Guarantor has complied with all its obligations under the Trust Deed and the Bonds;

"**Control**" means directly or indirectly (a) owning and controlling at least 50.1 per cent. of the Voting Shares of the Company; or (b) nominating or appointing a majority of the members of the Company's board of directors or other equivalent or successor governing body; or (c) possessing the ability or power to direct the management policies of the Company;

"**Finance Subsidiary**" means any Person who is wholly-owned by the Guarantor and who does not engage in any business activity except (a) the incurrence of Indebtedness to Persons other than the Guarantor, the Issuer or any of their respective Subsidiaries, (b) the ownership of shares of another Finance Subsidiary, (c) activity related to the establishment or maintenance of that Person's corporate existence, and (d) any other activity in connection with or incidental to activities referred to in (a), (b) or (c) above of this definition (but for the avoidance of doubt does not include the Issuer);

"**Gross-Up Event**" has the meaning given to it in Condition 5(c) (*Redemption for tax reasons*);

"**Guarantor Audited Financial Reports**" means the annual audited consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity of the Guarantor and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Guarantor Unaudited Financial Reports**" means the semi-annual unaudited consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity of the Guarantor and its Subsidiaries together with any statements, reports (including any directors' and auditors' review reports) and notes attached to or intended to be read with any of them, if any;

"**Holder**" has the meaning ascribed to it in Condition 2(a) (*Register*);

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected and appointed by the Guarantor (at the expense of the Guarantor) and notified to the Trustee in writing;

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

"**Investment Grade**" means a rating of "AAA", "AA", "A" or "BBB", as modified by a "+"or "-"indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2"or "3"indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns; a rating of "BBB-"or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody's, or Fitch or any combination thereof, as the case may be;

"**Issue Date**" means 18 August 2020;

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

"**Macau**" means the Macau Special Administrative Region of the People's Republic of China;

"**Make Whole Determination Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Hong Kong and New York City;

"**Make Whole Price**" means, with respect to a Bond at the relevant Optional Redemption Date, the amount calculated by the Independent Investment Bank that is the greater of (a) the principal amount of such Bond, which amount shall be notified in writing by the Independent Investment Bank to the Trustee, the Principal Paying Agent and the Issuer and (b) amount equal to the sum of the present value of the principal amount of such Bond, together with the present values of all required remaining scheduled interest payments due on such Bond from the relevant Optional Redemption Date to the Maturity Date (but excluding accrued and unpaid interest to the such Optional Redemption Date), computed using a discount rate equal to the Treasury Rate plus 0.50 per cent.;

"**NDRC**" means the National Development and Reform Commission of the People's Republic of China;

"**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 any implementation rules or applicable policies in relation thereto as issued by the NDRC from time to time;

"**Optional Redemption Date**" means the date on which the Bonds shall be redeemed at the option of the Issuer as specified in the Optional Redemption Notice;

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

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

"**Rating Agency**" means (a) S&P Global Ratings and its successors ("**S&P**"), (b) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"), or (c) Fitch Ratings Inc. and its successors ("**Fitch**"); and (d) if one or more of S&P, Moody's or Fitch shall not make a rating of the Bonds publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer and the Guarantor, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (a) a Change of Control and (b) a public notice of the occurrence of a Change of Control or of the intention by any Person or Persons to effect a Change of Control;

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

(a) in the event the Bonds (i) are on the Rating Date (A) rated by three Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (ii) cease to be rated Investment Grade by at least two of such Rating Agencies;

(b) in the event the Bonds (i) are on the Rating Date (A) rated by two but not more Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (ii) cease to be rated Investment Grade by both such Rating Agencies; or

(c) in the event the Bonds (A) are on the Rating Date (I) rated by one and only one Ratings Agency and (II) rated Investment Grade by such Rating Agency, and (B) cease to be rated Investment Grade by such Rating Agency;

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York, selected and appointed by the Issuer or the Guarantor (at the expense of the Issuer, failing which the Guarantor);

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Optional 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 (as defined in Condition 17 (*Definitions*) pursuant to Condition 4 (*Interest*)) preceding such Optional Redemption Date;

"**Register**" has the meaning ascribed to it in Condition 2(a) (*Register*);

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

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

"**Relevant Jurisdiction**" has the meaning ascribed to it in Condition 7(a) (*Gross up*);

"**Relevant Period**" means (a) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of its respective financial year (being 31 December of that financial year) and (b) in relation to the Guarantor Unaudited Financial Reports, each period of six months ending on the last day of its respective financial year (being 30 June of that financial year);

"**Relevant Subsidiary**" at any time shall mean a Subsidiary of the Guarantor whose total amount of gross assets, profits, or revenue (excluding intra-group items) represents 10 per cent. or more of the gross assets, profits or revenue of the Group calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Guarantor, or determined by reference to the most recent compliance certificate delivered by the Guarantor certifying its Relevant Subsidiaries. If a Subsidiary of the Guarantor has been acquired since the date at which the latest audited consolidated financial statements of the Guarantor were prepared, such financial statements shall be adjusted in order to take into account the acquisition of that Subsidiary;

"**Reserved Matter(s)**" means any proposal:

(a) to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds or to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment;

(b) to effect the exchange or substitution of the Bonds for, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other person or body corporate formed or to be formed (other than as permitted under Condition 12(c) (*Substitution*));

(c) to change the currency in which amounts due in respect of the Bonds are payable;

(d) to modify any provision of the Guarantee of the Bonds;

(e) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution; or

(f) to amend this definition;

"**Security Interest**" means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind;

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

"**Treasury Rate**" means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third Make Whole Determination Business Day prior to the issue of the Make Whole Redemption Notice, appearing in the most recently published statistical release designated "H.15(519)"or if such release is not published any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third Make Whole Determination Business Day prior to the issue of the Make Whole Redemption Notice or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Optional Redemption Date, in each case calculated on the third Make Whole Determination Business Day immediately preceding the issue of the Make Whole Redemption Notice; and

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contain provisions which apply to the Bonds in respect of which the Global Certificate are issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will be represented by the relevant Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal and interest on the Bonds to the Bondholders on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

Owners of interests in the Bonds in respect of which the relevant Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system on behalf of whom the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, **provided that** the Bondholders represented by the relevant Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. A person with an interest in the Bonds in respect of which the relevant Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

PAYMENT

So long as the Bonds are represented by the Global Certificate, each payment in respect of the relevant Global Certificate will be made to, or to the order of, the person shown as the Bondholder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

TRUSTEE'S POWERS

The Trustee may call for any certificate or other document to be issued by Clearstream or Euroclear (or any Alternative Clearing System on behalf of whom the Global Certificate may be held) as to the principal amount of Bonds evidenced by the Global Certificate standing to the account of any Bondholder. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding insofar as Bondholders are concerned for all purposes. The Trustee shall not be liable to any Bondholder or any other person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Clearstream or Euroclear (or any such Alternative Clearing System) and subsequently found to be forged or not authentic or not to be correct.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or an Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

ISSUER'S REDEMPTION

The Issuer's redemption option in Condition 5(b) (*Redemption at the option of the Issuer*) or Condition 5(c) (*Redemption for tax reasons*) of the Terms and Conditions of the Bonds may be exercised at any time and from time to time by the Issuer giving notice to the Bondholders and in writing to the Trustee and the Principal Paying Agent and the Bondholders at the relevant redemption price set out in the Terms and Conditions of the Bonds.

BONDHOLDER'S REDEMPTION IN RESPECT OF THE BONDS

The Bondholder's redemption option in Condition 5(d) (*Redemption upon a Change of Control Triggering Event*) of the Terms and Conditions of the Bonds may be exercised by the Bondholders giving notice to the Principal Paying Agent or any other Paying Agent of the principal amount of the Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

TRANSFERS

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or an Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or an Alternative Clearing System) and their respective direct and indirect participants.

CALCULATION OF INTEREST

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

CANCELLATION

Cancellation of any Bonds represented by the Global Certificate which is required by the Terms and Conditions of the Bonds to be cancelled will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

MEETINGS

For the purposes of any meeting of Bondholders, the Bondholders represented by the relevant Global Certificate shall (unless the relevant Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote for each U.S.$1,000 principal amount of Bonds so produced or for which he is a proxy or representative.

USE OF PROCEEDS

The proceeds of the issue of the Bonds after deduction of the combined management and selling commission and the other estimated offering expenses incurred in connection with the issue of the Bonds, will be used for refinancing purpose.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the consolidated capitalisation and indebtedness of the Guarantor as at 31 December 2019 on an actual basis; and on an adjusted basis to give effect to the issue of the Bonds before deduction of any fees, commissions and expenses. The following table should be read in conjunction with the Guarantor's 2019 Audited Financial Statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2019			
	(HK$ in millions)		*(U.S.$ in millions)*[1]	
	(actual)	*(as adjusted)*	*(actual)*	*(as adjusted)*
Current Borrowings				
Bank borrowings	3,191.3	3,191.3	409.7	409.7
Bonds repayable	3,870.6	3,870.6	496.9	496.9
Non-current Borrowings				
Bank borrowings	897.3	897.3	115.2	115.2
Bonds repayable	24,006.4	24,006.4	3,081.9	3,081.9
Bonds to be issued	–	3,894.7	–	500.0
Total Borrowings	**31,965.6**	**35,860.3**	**4,103.7**	**4,603.7**
Equity				
Share capital	358.7	358.7	46.1	46.1
Reserves	739.6	739.6	94.9	94.9
Perpetual capital instruments	3,098.8	3,098.8	397.8	397.8
Non-controlling interest	755.3	755.3	97.0	97.0
Total Equity	4,952.4	4,952.4	635.8	635.8
Total Capitalisation[2]	**36,918.0**	**40,812.7**	**4,739.5**	**5,239.5**

(1) Calculated at the exchange rate of U.S.$1.00 = HK$7.7894 on 31 December 2019 as set forth in the H.10 statistical release of the Federal Reserve Board. No comment is made as to the appropriateness of such rate or whether the Hong Kong dollar was, could have been, or could be, converted into United States dollars at that rate.

(2) Total capitalisation equals the sum of total borrowings and total equity.

Save as disclosed in this Offering Circular, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 31 December 2019.

DESCRIPTION OF THE ISSUER

FORMATION

China Great Wall International Holdings V Limited is a business company with limited liability incorporated under the BVI Business Companies Act (as amended) of the British Virgin Islands (BVI company number 2033492). It was incorporated in the British Virgin Islands on 20 March 2020. The Issuer's registered office is Craigmuir Chambers, P.O Box 71, Road Town, Tortola, VG 1110, British Virgin Islands.

BUSINESS ACTIVITY

The Issuer was incorporated with unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a wholly-owned subsidiary of the Guarantor and those incidental to the issue of the Bonds. The Issuer has not since the date of its incorporation, carried on or undertaken business in the British Virgin Islands.

FINANCIAL STATEMENTS

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

DIRECTORS

The directors of the Issuer are XU Yongle and JIANG Baojun and their business address is 20/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

DESCRIPTION OF THE GROUP

OVERVIEW

The Guarantor is a direct wholly-owned subsidiary of China Great Wall. China Great Wall is one of the four leading AMCs and a leading provider of comprehensive financial services and innovative products in the PRC. China Great Wall was jointly founded by the MOF, the National Council for Social Security Fund and China Life Insurance (Group) Company and was established with the approval of the State Council in 1999. China Great Wall primarily offers NPA management and disposal, investment banking, asset management and comprehensive financial services. China Great Wall is a state-owned enterprise controlled by MOF, which held approximately 73.53 per cent. equity interest in China Great Wall as at the date of this Offering Circular.

The Group serves as the primary overseas platform of the China Great Wall Group, focusing on NPA management business, financial service and investment business and property investment business. Leveraging the China Great Wall Group's brand name, business network and customer base, and the strong support from the China Great Wall Group, the Group acts as a cross-border investment platform and asset manager, providing services to both onshore and offshore clients.

With a strategic presence in Hong Kong, the Group is able to take advantage of access to both the onshore and offshore markets and the transferability of the Renminbi as well as the Hong Kong dollar and other foreign currencies. It plays a key role in the China Great Wall Group's strategy of becoming an international leading financial service provider by serving as a link between the China Great Wall Group's onshore business and its offshore funding and investment operations. As the offshore platform for accessing the international capital markets and the China Great Wall Group's primary overseas platform, the Group also helps maintain the China Great Wall Group's client relationships with large Chinese corporates and thus increases its overall competitiveness.

The Group is involved in NPA management business. In November 2019, the Group made its breakthrough in the NPA management business by successfully acquiring China Development Bank Hong Kong Branch's NPA package, the aggregate principal and interest of which amounted to approximately U.S.$1.2 billion. This was one of the first and largest NPA package acquisition businesses from financial institutions after the overseas platforms of the four AMCs returned to their core business and established the Guarantor's leading position amongst the overseas platforms of the four AMCs.

The Group manages and invests in financial assets by providing financial service and investment business. The Group's financial service and investment business mainly includes fixed income and equity investments in both primary and secondary markets. To better serve its clients' needs, it also engages in asset management and corporate finance businesses. The Group has obtained licences to carry out various regulated activities, such as the licence to act as a money lender, as well as the licences for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

The Group also manages and invests in real estate by conducting property investment business. The Group's property investment business is mainly conducted through the Guarantor's subsidiary, GWPA, which is listed on the Hong Kong Stock Exchange (stock code 583). As at 31 December 2019, the Guarantor indirectly held approximately 74.89 per cent. of the total issued share capital of GWPA. GWPA contributes stable rental income and profit to the Group by investing in a diversified property portfolio comprising a number of strategically located investment and commercial properties, shopping centres, plazas and car parks in Hong Kong.

For the years ended 31 December 2017, 2018 and 2019, the Group's revenue was approximately HK$2,058.1 million, HK$2,312.1 million and HK$2,125.8 million, respectively; profit before taxation was recorded at HK$442.0 million, HK$809.4 million and HK$671.4 million, respectively; while profit for the year was recorded at HK$405.1 million, HK$754.3 million and HK$610.1 million, respectively. The decrease in revenue for the year ended 31 December 2019 as compared to the year ended 31 December 2018 was primarily due to the conversion of the Guarantor's current place of business (being the 20th and 21st floors of Bank of America Tower at 12 Harcourt Road Central, Hong Kong) which is owned by GWPA, from investment property to office space for self-use, leading to a decrease in fair value of investment property as compared to the year ended 31 December 2018.

As at 31 December 2017, 2018 and 2019, the Group had total assets of approximately HK$38,438.1 million, HK$37,905.9 million and HK$37,472.9 million, respectively, and net assets of approximately HK$1,503.5 million, HK$1,082.8 million and HK$4,952.4 million, respectively. The increase in the Group's net assets in 2019 was primarily due to the issuance a series of perpetual securities in the aggregate principal amount of U.S.$400 million in 2019, which was treated as equity for accounting purpose.

HISTORY AND DEVELOPMENT

The following table sets forth the key development milestones in the Group's history:

1993	On 7 January 1993, the Guarantor, formerly known as Agricultural Bank Investment Co., Ltd.(農銀投資有限公司), was established as a wholly-owned subsidiary of the Agricultural Bank of China, with a registered share capital of HK$1.0 million. The Guarantor was principally engaged in investment and financing businesses.
2000	The Guarantor was acquired by China Great Wall as its only offshore platform to conduct investment and financial assets management business, under the authorisation of MOF and the PBOC.
2007	With the successful completion of China Great Wall's NPA disposal mission, the Group fully committed to commercialisation and marketisation.
2011	In September 2011, the Guarantor was renamed Great Wall Pan Asia International Investment Co., Limited(長城環亞國際投資有限公司).
2014	In January 2014, Great Wall Pan Asia Asset Management Limited(長城環亞資產管理有限公司)("**GWPAAM**") (formerly Great Wall Pan Asia International Asset Management Limited(長城環亞國際資產管理有限公司)) was established by the Guarantor as its wholly-owned subsidiary. In March 2014, Great Wall Pan Asia Corporate Finance Limited(長城環亞融資有限公司)("**GWPA Corporate Finance**") (formerly Great Wall International Corporate Finance Limited(長城國際融資有限公司)) was established by the Guarantor as its wholly-owned subsidiary. In May 2014, GWPAAM obtained Type 4 (advising on securities) and Type 9 (asset management) licences from the Securities and Futures Commission of Hong Kong (the "**SFC**"), marking an important milestone in the Group's financial service and investment business. In July 2014, GWPA Corporate Finance obtained Type 6 (advising on corporate finance) licence from the SFC.

In September 2014, the Guarantor completed its debut issue in the offshore capital market by issuing 2.50 per cent. credit-enhanced bonds through its subsidiary in the aggregate amount of U.S.$500 million. The bonds were assigned a rating of "A1" by Moody's.

2015 . . . . In April 2015, GWPAAM obtained Type 1 (dealing in securities) licence from the SFC, as a result of which the Group became equipped with licences to provide comprehensive financial service and investment business in Hong Kong.

In June 2015, the Guarantor completed its second issue in the offshore capital market by issuing 2.50 per cent. credit-enhanced bonds through its subsidiary in the aggregate amount of U.S.$1.0 billion. The bonds were assigned a rating of "A1" by Moody's.

2016 . . . . In April 2016, the Group participated in the CRE Alliance Fund I L.P. (華潤創業聯和基金一期有(有限合夥)) as a cornerstone investor. This was the first offshore consumer goods industry fund established by China Resources Enterprise Co., Ltd. and had an initial assets under management ("**AUM**") of U.S.$500 million.

In October 2016, the Guarantor was granted an "A-2" short-term issuer rating and a "BBB+" long-term issuer rating by S&P.

In October 2016, the Guarantor completed the establishment of its first offshore medium-term note programme, under which China Great Wall International Holdings III Limited ("**Great Wall International Holdings III**") issued dual-tranche 2.25 per cent. and 2.625 per cent. senior notes due 2019 and 2021, respectively, in the aggregate principal amount of U.S.$1.5 billion. The bonds were guaranteed by the Guarantor with the benefit of a keepwell deed and a deed of equity interest purchase and investment undertaking provided by China Great Wall. The bonds were assigned a rating of "Baa1" by Moody's, a rating of "BBB+" by S&P, and a rating of "A" by Fitch.

In October 2016, the Guarantor acquired 74.89 per cent. of the total issued share capital of GWPA. GWPA is principally engaged in the property development business.

2017 . . . . In June 2017, the Guarantor changed its name to China Great Wall AMC (International) Holdings Company Limited (中國長城資產(國際)控股有限公司).

The Guarantor transferred the entire issued share capital in GWPAAM and the entire issued share capital in GWPA Corporate Finance to GWPA, effectively disposing of 25.1 per cent. of the Guarantor's interest in GWPAAM and GWPA Corporate Finance. The acquisitions of GWPAAM and GWPA Corporate Finance, two entities that possess licences from the SFC to conduct regulated activities, were in line with the GWPA's strategic plan and constituted an important step towards the diversification of its business into the provision of financial service and investment business.

In August 2017, Great Wall International Holdings III issued triple-tranche 2.75 per cent., 3.125 per cent. and 3.875 per cent. senior notes due 2020, 2022 and 2027, respectively, in the aggregate principal amount of U.S.$2.0 billion. The bonds were guaranteed by the Guarantor with the benefit of a keepwell deed and a deed of equity interest purchase and investment undertaking provided by China Great Wall. The bonds were assigned a rating of "Baa1" by Moody's, a rating of "BBB+" by S&P, and a rating of "A" by Fitch.

In August 2017, the Group participated with China Merchants Group (招商局集團) in the establishment of the China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.)(招商局長城海洋科技戰略發展產業Mme) with initial AUM of U.S.$1.0 billion. This fund primarily focuses on marine equipment, marine oil and gas production chains, automated manufacturing, logistics, marine technology research centres, marine industrial real assets and other frontier or profitable marine technology sectors.

The Group expanded its business into financial intermediary services through establishing capital cooperation with KKR & Inc. Co. ("**KKR**").

2018 . . . . In May 2018, Great Wall International Holdings III issued 4.375 per cent. bonds due 2023 in the aggregate principal amount of U.S.$600 million. The bonds were guaranteed by the Guarantor with the benefit of a keepwell deed and a deed of equity interest purchase and investment undertaking provided by China Great Wall. The bonds were assigned a rating of "Baa1" by Moody's, a rating of "BBB+" by S&P, and a rating of "A" by Fitch.

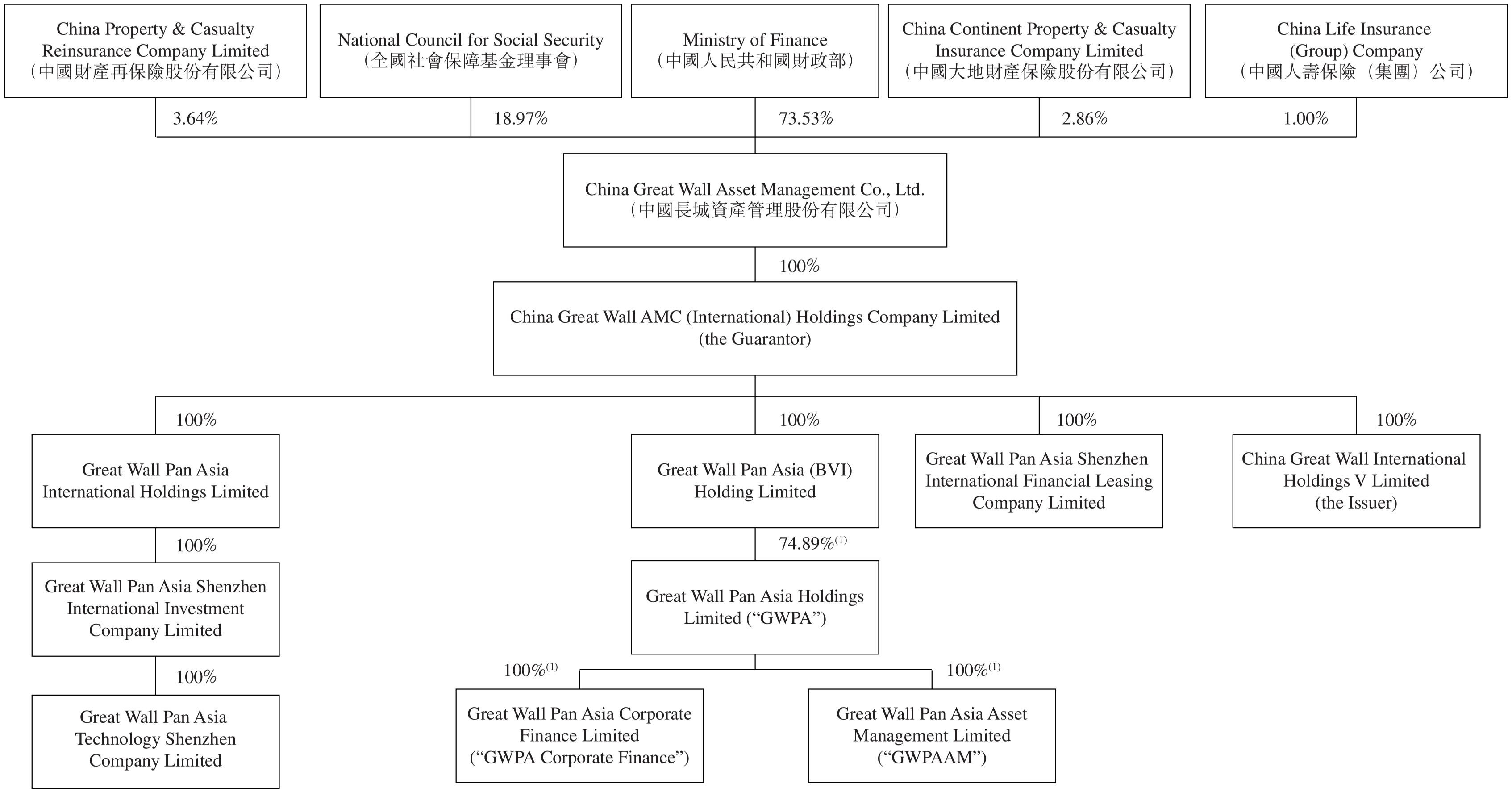
2019 . . . . In 2019, the Guarantor was granted an "A-" long-term rating by Fitch and a "BBB+" long-term issuer rating by S&P.

In July 2019, Great Wall International Holdings IV issued 3.125 per cent. guaranteed bonds due 2024 in the aggregate principal amount of U.S.$200 million, which were assigned a rating of "BBB+" by S&P and "A-" by Fitch, and 3.95 per cent. unsubordinated guaranteed perpetual securities in the aggregate principal amount of U.S.$400 million, which were assigned a rating of "BBB+" by Fitch. The issuance was on the Guarantor's own credit, which effectively reduced its financial leverage and dependence on its parent, China Great Wall, and laid a solid foundation for self-sufficient and sustainable development in the future.

In November 2019, the Guarantor successfully acquired the China Development Bank Hong Kong Branch's NPA package, the aggregate principal and interest of which amounted to approximately U.S.$1.2 billion. This was the Guarantor's breakthrough for acquisitions of NPA packages and also one of the first and largest NPA package acquisition businesses from financial institutions after the overseas platforms of four AMCs returned to their core business, which established the Guarantor's leading position in the main business among the overseas platforms of the four AMCs.

ORGANISATION

The following chart sets forth a simplified corporate and shareholding structure of the Group as at the date of this Offering Circular.



(1) *Such equity interest represents indirect holdings in the relevant subsidiaries*

AWARDS

The Group's proven track record is also demonstrated by the numerous awards that it has received, including, amongst others:

- GWPA was awarded the "7th China Securities Golden Bauhinia Award – Best Listed Company award" in 2017 and the "8th China Securities Golden Bauhinia Award – Most Valuable Investment Listed Company Award" in 2018 by the Committee of China Securities Golden Bauhinia Award, which consists of important management agencies, professional securities institutions and economists;

- GWPA was recognised as one of the top-ten after-tax net profit growth enterprises of 2017 by Top 100 Hong Kong Listed Companies Research Centre;

- GWPA's 2017 annual report was awarded "Industry Gold Award", "Top 60 Chinese Annual Report", "Top 80 in Asia Pacific Annual Report" for two consecutive years in 2016 and 2017, and "Technical Achievement Award" in 2017 by the League of American Communications Professionals (LACP);

- GWPA's 2018 annual report was awarded "Industry Gold Award", "Top 80 Chinese Reports of 2018", "Top 80 Reports in Asia Pacific Region", "Technical Achievement Award" and "Outstanding Production Values" by the League of American Communications Professionals (LACP);

- GWPA was certified by the Hong Kong Environmental Campaign Committee as a "Hong Kong Green Organisation" and received two green certificates, including "Energywi$e Certificate" and "Wastewi$e Certificate" in 2018; and

- GWPA was awarded the "Caring Company Award" by the Hong Kong Council of Social Service for three consecutive years in 2017/18, 2018/19 and 2019/20.

COMPETITIVE STRENGTHS

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

Leading position in the overseas NPA acquisition business among four AMCs

In light of the overarching "dual return" (namely "return to onshore, return to core NPA management business") development strategy requirement, the Guarantor then made a strategic move in 2018 to transform its business focus of cross-border financing, primary and secondary markets investments and third-party asset management, and applied its experience in the financial service industry to NPA management. Leveraging the advantage of Hong Kong as a highly developed capital market as well as the Group's strategic advantage in cross-border NPA financing, the Group proactively lines up its offshore resources and professional expertise to provide services related to NPA management of Chinese financial institutions in Hong Kong as well as the resolution and disposal of onshore NPAs.

The Group has a deep understanding of and a precise grasp on the opportunities for NPA management business in Hong Kong. According to public data, as at the end of March 2020, the total proportion of special mention loans and classified loans of authorised institutions in Hong Kong was 2.21 per cent., which recorded a substantial increase of 0.31 per cent. compared with that of 1.90 per cent. as at the end of 2019. In 2019, to implement the strategy of "dual return" (namely "return to onshore, return to core NPA management business"), the Group has performed in-depth analysis of its own situation and the market environment. Utilising the experience of disposing of different types of NPA from domestic groups, the Guarantor has implemented a two-way integration of software and hardware capabilities: it formed a market-orientated and international service line, built a professional personnel team for NPA management business, and established an information system with the ability to dispose of NPA in batches.

Taking the cross-border NPA business as a breakthrough, the Group strives to expand its main business. It has proposed the business goal of to "serve the dissolution of NPA of Chinese-funded financial institutions in Hong Kong", taken the initiative to strengthen contacts with Chinese banks and other financial institutions in Hong Kong, expanded the NPA business channels and actively participated in the bidding of several financial NPA projects. In November 2019, the Guarantor successfully acquired the China Development Bank Hong Kong Branch's NPA package, the aggregate principal and interest of which amounted to approximately U.S.$1.2 billion. This was the Guarantor's breakthrough for acquisitions of NPA packages and also one of the first and largest NPA package acquisition businesses from financial institutions after the overseas platforms of four AMCs returned to their core business, which established the Guarantor's leading position in the main business among the overseas branches of the four AMCs.

Benefited from the strong support of and synergy with the China Great Wall Group

Acquired by China Great Wall as its only offshore platform to conduct investment and financial assets management business, the Guarantor, as a wholly-owned subsidiary of China Great Wall, occupies a strategically significant position in the China Great Wall Group in realising its globalisation, business expansion and innovation strategies.

The Group also undertakes the important mission of maintaining the China Great Wall Group's relationships with large onshore Chinese corporate clients. By being their go-to offshore platform for accessing the international capital markets, the Guarantor acts as a dual-purpose cross-border platform that connects offshore investment capital and technology with onshore enterprises. In return, the Group enjoys strong and comprehensive support from the China Great Wall Group in terms of a broad customer base and extensive cross-selling opportunities, onshore and offshore business synergies, liquidity support and internal administrative and risk management.

The Group believes China Great Wall is one of the state-owned financial institutions with large asset scale, outstanding profitability, strong return on equity, high total market value, comprehensive financial licences, great brand value and strong government support. In 1999, the PRC government set up four AMCs (including China Great Wall) to cope with the Asian financial crisis. These four asset management companies and the leading PRC financial asset management companies played important roles in mitigating financial risks, protecting state-owned assets and maintaining economic and social stability, and experienced tremendous growth since their establishment. Since its inception, China Great Wall has been involved in the acquisition, management and disposal of NPAs of prominent state-owned financial institutions such as the Agricultural Bank of China, the Industrial and Commercial Bank of China and other financial and non-financial institutions. As at 31 December 2019, the China Great Wall Group has established presence in 30 provincial-level regions (provinces, autonomous regions and direct-controlled municipalities) across the PRC through 30 branches, and in Shanghai Free Trade Zone and Ningxia through branch companies. In addition, China Great Wall has a single, directly-owned subsidiary in Hong Kong. Following its establishment as a policy-oriented asset disposal company, China Great Wall has evolved into a full-scale financial service provider since 2007. With the aim of eliminating financial risks, enhancing asset value and contributing to economic development, China Great Wall is committed to focusing on its core business and pursuing a comprehensive development. With a "three pillars" business framework comprising of asset management (namely NPA management and third-party asset management), investment banking (with a focus on mergers and acquisitions and restructuring) and financial intermediary services (providing a full suite of licensed financial services), China Great Wall is keen to position itself as a globally influential "century-old financial one-stop shop". China Great Wall has been involved in the business of NPA disposals with a large number of enterprises, with experiences of successfully handling complex disposal scenarios, managing a wide range of asset types and utilising diversified disposal methods and technologies. The Group provides one-stop comprehensive financial services, including banking, securities, financial leasing, life insurance, trust, financial consultancy, financial guarantee, capital investment, equity investment and financial assets exchange platforms.

With a strategic presence in Hong Kong, a key, world-renowned financial centre and participant of "the Guangdong – Hong Kong – Macau Greater Bay Area Initiative", the Group plays a key role in spearheading the development of the China Great Wall Group's cross-border business and globalisation strategies. Leveraging the China Great Wall Group's brand recognition, business network and customer base, the Group is able to take advantage of access to both the onshore and offshore markets and the transferability of the Renminbi, as well as the Hong Kong dollar and other foreign currencies to conduct a wide range of management of and investment in financial assets and real estate. The Group is well-positioned to benefit from potential cross-selling opportunities among the onshore and offshore clients of the China Great Wall Group. Many cross-border business opportunities generated by the China Great Wall Group were successfully referred to and executed through the Group.

At the same time, the Group's full-service overseas platform and its overseas customer base and branch network have also allowed the China Great Wall Group to capture increasing cross-border business and meet changing customer needs in the Greater China region. The Guarantor is a licensed money lender and its subsidiaries have obtained the licences for dealing in securities, advising on securities, advising on corporate finance and asset management in Hong Kong. This integrated platform further enables the Group to provide a full suite of financial services to its customers and is compatible with the businesses of China Great Wall, including non-performing asset management, investment banking, asset management and comprehensive financial services. The Group is therefore able to generate significant synergies with different subsidiaries and business lines of the China Great Wall Group, creating an extensive business network. For example, the Guarantor has benefited from synergies in brand name, business network, expertise and licences through strengthened cooperation with various members of the China Great Wall Group such as Great Wall West China Bank Co., Ltd.(長城華西銀行), Great Wall Glory Securities Co., Ltd.(長城國瑞證券有限公司), and regional offices of China Great Wall.

In addition, the Group's financing activities benefit from the strong liquidity support of the China Great Wall Group. For example, the China Great Wall Group provided keepwell and equity repurchase commitments for the U.S. dollar-denominated bonds issued by the Group in the past and intends to provide capital support to the Group for its development when needed.

Furthermore, as China Great Wall directly appoints the board of directors and the senior management of the Guarantor, many on the Group's management team have held various roles in the China Great Wall Group, where they accumulated extensive management experience and developed an in-depth understanding of the financial market. The Group also benefits from guidance and support from the China Great Wall Group in terms of internal control, human resources and risk management. In particular, the Group has developed a comprehensive risk management mechanism in line with the China Great Wall Group's risk management system. For more details on the Group's risk management procedures, please refer to "*Description of the Group – Risk Management*".

Benefiting from the strong support of the China Great Wall Group, the Group believes it has achieved outstanding growth and financial performance in the past. For the years ended 31 December 2017, 2018 and 2019, the Group's return on average equity ("**ROAE**") was 36.95 per cent., 58.33 per cent. and 20.20 per cent., respectively. During the same period, the Group's return on average assets ("**ROAA**") was 1.29 per cent., 1.98 per cent. and 1.62 per cent. respectively.

Stable growth backed by excellent business model

Despite intense competition from other financial institutions, the Group believes it has maintained sustainable business growth and its leading edge in the Greater China region. As at 31 December 2017, 2018 and 2019, the Group had total assets of approximately HK$38,438.1 million, HK$37,905.9 million and HK$37,472.9 million, respectively; and as at the same dates, the Group had net assets of approximately HK$1,503.5 million, HK$1,082.8 million and HK$4,952.4 million, respectively. For the years ended 31 December 2017, 2018 and 2019, the Group's net profit for the corresponding years was approximately HK$405.1 million, HK$754.3 million and HK$610.1 million, respectively. The Group's strong growth has generated competitive returns for the Group's shareholders. For the years ended 31 December 2017, 2018 and 2019, the Group's ROAA was 1.29 per cent., 1.98 per cent. and 1.62 per cent., respectively; and the Group's ROAE was 36.95 per cent., 58.33 per cent. and 20.20 per cent., respectively. The decrease of the Group's ROAE for the year ended 31 December 2019 as compared to the year ended 31 December 2018 was primarily attributable to the issuance a series of perpetual securities in the aggregate principal amount of U.S.$400 million in 2019, which was treated as equity for accounting purposes and increased the amount of average total equity. The Group's average ROAA and ROAE from 2017 to 2019 was 1.63 per cent. and 38.49 per cent., respectively, making the Group a leading company among its peers in the related industries.

The Group attributes its stable growth to its excellent business model. For example, the Group's financial service and investment business segment focuses on investments in pillar industries which generate stable return and emerging industries with great development potential. It has contributed the largest portion of segment revenue over the years. For the years ended 31 December 2017, 2018 and 2019, the Group's income from its financial service and investment business was HK$1,771.1 million, HK$1,792.0 million and HK$1,821.1 million, respectively, accounting for 86.1 per cent., 77.5 per cent. and 85.7 per cent. of the Group's total revenue. Its project-based investment business adopts market-based return and risk management standards for its NPA management, special opportunities investment and distressed M&A businesses. For the years ended 31 December 2017, 2018 and 2019, the Group's income from its project-based investment business amounted to HK$778.9 million, HK$1,088.9 million and HK$1,078.9 million, respectively, accounting for 37.8 per cent., 47.1 per cent. and 50.8 per cent. of the Group's total revenue. Its secondary market trading business takes the approach of active liquidity and duration management for the Group and pursues a conservative investment strategy while seeking above-market returns. For the years ended 31 December 2017, 2018 and 2019, the Group's income from its secondary market trading business amounted to HK$958.8 million, HK$463.5 million and HK$582.7 million, respectively, accounting for 46.6 per cent., 20.0 per cent. and 27.4 per cent. of the Group's total revenue. The Group also engages in property investment in Hong Kong mainly through GWPA, which is a subsidiary property holding company of the Guarantor. GWPA contributes stable rental income and profit to the Group by investing in a diversified property portfolio comprising a number of strategically located investment and commercial properties, shopping centres, plazas and car parks in Hong Kong. For the years ended 31 December 2017, 2018 and 2019, the Group's income from its property investment business was HK$287.0 million, HK$520.1 million and HK$304.7 million, respectively, accounting for 13.9 per cent., 22.5 per cent. and 14.3 per cent., respectively, of the Group's total revenue. The decrease of the Group's income from its property investment for the year ended 31 December 2019 as compared to the year ended 31 December 2018 was primarily attributable to the decrease in the fair value of property investment.

Robust business segments with advantage of onshore and offshore linkage

Leveraging the client network, brand name and other synergies resulting from business collaborations with various members of the China Great Wall Group, in particular, the onshore entities such as Great Wall West China Bank Co., Ltd. (長城華西銀行), Great Wall Glory Securities Co., Ltd. (長城國瑞證券有限公司) and the Shenzhen and Anhui Offices of the China Great Wall Group, the Group's financial intermediary business provides financial advisory services to onshore enterprises and assists in their equity refinancing, debt financing and other structured financing in Hong Kong's capital markets.

The Group also seizes the growing business opportunities emerging from special situations such as distressed situations, liquidity crises, refinancing, NPAs and loans. The Group believes that the NPAs in the banking industry in Hong Kong have a solid growth potential due to the ever-increasing demand for commercial banks to dispose of their NPAs. Relying on the ever-expanding asset scale of Chinese financial institutions in Hong Kong, the Group focuses on problematic enterprises, problematic projects and problematic institutions and provides financial assistance to enterprises to overcome their financial crises and risks. By leveraging its advantage at the onshore and offshore capital markets, the Group provides customised financing solutions to cater for the various cyclical financing needs of its customers. In addition, as a result of foreign exchange supervision, the Group has been strategically cooperating with onshore banks, as well as securities, trusts and leasing firms to bridge onshore and offshore funding channels for NPA-related businesses. The Group also believes that it has fully leveraged its advantage as a "multi-purpose financial toolkit" by strengthening cooperation between the Guarantor and other subsidiaries of the Group in terms of disposal, collateral custody and merger and acquisitions (M&A), with a principal focus on the development of NPA management and special opportunities investment.

In addition, with respect to its asset management business, the Group collaborates with quality institutional investors through fund or joint investment models to identify and nurture Chinese enterprises with high growth potential. The Group also provides a diversified portfolio of products for its onshore customers seeking overseas investment opportunities. The Group's asset management business derives its revenue mainly from management fees, commission and capital gains from self-owned funds.

Future strategy of focusing on core NPA management business and optimising innovative development

In light of the China Great Wall Group's development strategies and through collaborating with the China Great Wall Group's onshore subsidiaries, the Guarantor is able to seize the market opportunities arising from the increase in disposals of NPLs by the banking industry and has thus promoted steady growth of the core business in NPA management. Leveraging the advantage of its strategic presence in Hong Kong, the Group has access to both the onshore and the offshore markets, integrating onshore and offshore resources and strengthening coordination with mainland branches. The Group's extensive experience in the financial service and investment industries can better serve the Guangdong – Hong Kong – Macau Greater Bay Area with a business focus on M&A and restructuring. The Group is continuously involved in the development of several NPA projects such as the acquisition of NPAs of Chinese financial institutions in Hong Kong, establishment of special opportunities funds with Chinese financial institutions in Hong Kong, as well as engagement in third-party asset management business with a principal focus on special opportunities investment.

By optimising its capital employment, risk prevention, internal management and business structure, the Group expects to play an increasingly important role as the China Great Wall Group's international arm in the development of the China Great Wall Group's core NPA management business.

Diversified funding channels and long-term strategic partnerships with leading global financial institutions

To fund the Group's business activities, the Group has established and benefited from diversified financing channels, including funding support from China Great Wall, borrowings from banks, borrowings from other financial syndicates as well as alternative financing through asset securitisation and third-party asset management.

The Group maintains sustainable and long-term strategic cooperative relationships with major onshore and offshore financial institutions, including Bank of Communications, ICBC, Agricultural Bank of China, Bank of China, China Construction Bank, Standard Chartered Bank, Morgan Stanley, China Merchants Bank, China Merchants Securities (HK), CLSA, China CITIC Bank International, China Everbright Bank Hong Kong Branch, Shanghai Pudong Development Bank, China Minsheng Banking Corp., Ltd., Dongxing Securities (Hong Kong), Guotai Junan International, and Crédit Agricole CIB. These relationships have enabled the Group to not only secure sustainable sources of financing (including committed loans and rolling credit facilities) to support its business growth and working capital requirements, but also enhance its competitive strengths and expand its operations across Southeast Asia and countries promoting the Belt and Road Initiative. As at 31 December 2019, the Group has credit facilities with a total principal amount of approximately HK$11.53 billion from various banks in Hong Kong. In the face of the current COVID-19 outbreak and economic challenges both in the PRC and internationally, the Group actively expands its rich and diversified financing channels, fully utilises its established close strategic and cooperative partnerships, and further strengthens its relationships with the onshore and offshore major financial institutions to keep its competitive position.

The Group has developed financing capabilities and an outstanding track record in offshore capital markets. The Group completed the issuance of U.S. dollar-denominated credit-enhanced bonds in September 2014 and June 2015, both of which have been fully redeemed. The Group set up a medium-term note programme in October 2016 with the Guarantor as guarantor, under which the Group's offshore subsidiary, Great Wall International Holdings III, has issued various HKSE-listed medium term notes with different maturities to optimise its debt and capitalisation profile. In July 2019, the Group completed issuance of 3.125 per cent. guaranteed bonds due 2024 in the aggregate principal amount of U.S.$200 million rated "A-" by Fitch, and 3.95 per cent. unsubordinated guaranteed perpetual securities in the aggregate principal amount of U.S.$400 million with the Guarantor as guarantor. As at 31 December 2019, the Group had in total raised approximately U.S.$6.2 billion through offshore debt securities offerings, of which debt securities in the principal amount of U.S.$4.0 billion remain outstanding. In October 2016, the Guarantor was granted an "A-2" short-term issuer rating and a "BBB +" long-term issuer rating by S&P. In 2019, the Guarantor was granted an "A-" long-term rating by Fitch and a "BBB+" long-term issuer rating by S&P.

The Group believes it has maintained liquidity at a healthy level and an appropriate debt structure. As at 31 December 2019, the Group had cash and cash equivalents of HK$5,952.7 million and total current assets of HK$14,242.3 million. To ensure sufficient liquidity, the Group seeks to continuously maintain a balance between its short-term and long-term debt obligations and to work closely with major banks. The Group's long-term debt obligations mainly consist of proceeds from offshore bond issuance, while borrowings from banks constitute a majority of its short-term debt obligations. The Group focuses strongly on liquidity management and matches assets and liabilities between terms and currencies. Its overall financing strategy is based on the market environment while long-terms funds are mainly supported by issuing bonds and short-terms funds are mainly supported by bank credit. The overall bond structure and maturity are optimised based on the matching of project's investment and collection period. As at 31 December 2019, the Group had total short-term, interest-bearing borrowings (including bank borrowings repayable on demand and bonds repayable within one year) of approximately HK$7.1 billion, representing 22.09 per cent. of the Group's total interest-bearing bank and other borrowings. Bank borrowings accounted for 4.4 per cent., 12.6 per cent. and 12.8 per cent. of the Group's total interest-bearing liabilities as at 31 December 2017, 2018 and 2019, respectively, while bonds repayable account for 95.6 per cent., 87.4 per cent. and 87.2 per cent. of the Group's total interest-bearing liabilities as at 31 December 2017, 2018 and 2019, respectively.

In addition, the Group has adopted an active and prudent approach in liquidity management and bonds issuance. Since its first offshore bond issuance in 2014, the Group has had a total of U.S.$6.2 billion in issue. As at 31 December 2019, the outstanding balances is U.S.$4.0 billion with maturity evenly distributed from 2020 to 2027. Bonds repayable on demand or within one-year represent 22.30 per cent., 17.14 per cent. and 13.88 per cent., bonds repayable in the second to fifth year (inclusive) represent 66.65 per cent., 70.72 per cent. and 72.27 per cent., and bonds repayable over five years represent 11.05 per cent., 12.14 per cent. and 13.85 per cent. as at 31 December 2017, 2018 and 2019, respectively. Compared with the other AMCs, the Group is more focused on monitoring the compatibility between project and debt structures, controlling the scale of any debts and maintaining sufficient liquidity (with liquidity indicators higher than their corresponding critical values). Under the premise of meeting capital needs and balancing liability structure, the Group determines optimal issuance size and maturity by adhering to the investment standard of duration matching between assets and liabilities. The Group endeavours to repay its bank loans, bond obligations with sustainable cash flows generated from adequate and diverse sources including profit and return on its investment projects. The Group also believes that it has established sufficient capital reserves and liquidity by closely monitoring its asset quality to ensure sufficient resources for debt repayment.

As at 31 December 2019, the Group's funding support from borrowings from banks and offshore debt financing accounted for 10.91 per cent. and 74.39 per cent. of its total assets of HK$37,472.9 million, respectively. As at 31 December 2017, 2018 and 2019, the leverage ratio of the Group's total assets to total equity was 25.57x, 35.01x and 7.57x, respectively. The decrease of the leverage ratio of the Group's total assets to total equity as at 31 December 2019 as compared to as at 31 December 2018 was primarily attributable to the issuance a series of perpetual securities in the aggregate principal amount of U.S.$400 million in 2019, which was treated as equity for accounting purposes and increased the amount of average total equity. With diversified funding channels, bonds with evenly distributed maturities and the continuous exploration of new financing opportunities, the Group believes that it is able to borrow at favourable rates, maintain sufficient credit lines and facilities and further lower its financial costs, and is therefore in a strong financial position to expand its businesses.

Experienced management team with high-calibre professionals

The success of the Group is attributable to its experienced management and high-calibre professionals. The Group believes that the strategic vision of its experienced and visionary senior management team has distinguished it from its competitors, supported its sustainable growth, ensured consistent implementation of its strategies and brought strong execution capability to the Group's future strategic direction and development. The majority of the Guarantor's directors have each served the Group for over 16 years. In addition, China Great Wall directly appoints the board of directors and the senior management of the Guarantor. Many of the Group's senior management team have held various roles in the China Great Wall Group, where they accumulated extensive management experience and developed an in-depth understanding of the development and characteristics of the financial market in China.

The Group also has a professional and high-calibre talent team with collectively over ten years of investment experience, a proven track record and a deep understanding of both onshore and offshore markets. The Group's employees are highly educated, well-trained and have extensive execution experience and the technical skills necessary to accurately value assets, identify risks and maximise gains. Its experienced and highly qualified management and operations team will continue to contribute to its future development.

Comprehensive and effective risk management system

Comprehensive risk management is a core competitive strength of the Group. The Group has a well-established and continuously improving risk management system that entails risk-conscious decision-making, controls and operations. The Group places significant importance in overcoming risks that it and its clients face and has implemented effective risk management and internal controls at various operational levels. Among the four AMCs, China Great Wall was the first to implement an economic capital risk management system. From 2014, China Great Wall was the industry pioneer in initiating the "multi-faceted, three-dimensional, full coverage" comprehensive risk management system, which includes risk identification, measurement, assessment, reporting, control and mitigation by taking into consideration the company's risk profile, risk status and market and macroeconomic conditions. The Group's risk management system is integrated into the risk management system and shares the same attributes as the China Great Wall Group. The Group also regularly reports to the China Great Wall Group on its exposure to various risks and ensures that its risk exposures are in strict compliance with the Group's internal risk management guidelines. See "*Description of the Group – Internal Control and Risk Management*".

As part of its risk management, the Guarantor consistently maintains a high level of capital reserves and liquidity. The Guarantor conducts cash flow forecasts and liquidity stress tests in compliance with relevant regulations.

In relation to liquidity management, the Group focuses on monitoring the compatibility between project and debt structures, implementing rigorous risk identification, assessment, control and mitigation measures before, during and post investment. In particular, the Group has in place comprehensive risk management criteria and procedures in client and project selection to ensure asset quality, compliance with relevant legal and regulatory requirements, as well as monitor and manage credit risk, market risk, liquidity risk and operational risk. The Group believes that it holds a leading position among its peers in terms of internal controls.

In addition, the Group has also established prudent corporate governance to reduce its exposure to various risks in the financial market. In particular, the Group is committed to nurturing a comprehensive risk management culture through coordinating independent learning and expert training, weekly meetings between the Group's senior management and various business units, project-based decision-making strategic group meetings, and regular interdepartmental business summary and analysis meetings to enable various departments and business units to proactively and systematically participate in risk prevention. Furthermore, the Group continues to establish and enforce appropriate criteria, policies and procedures in its client and project selection to prevent money laundering and terrorist financing so as to comply with all relevant legal and regulatory requirements.

The Group is also dedicated to the establishment of a digitalised risk management system. In particular, the Group has been developing digitalised systems on project risk identification, control and surveillance with the aim to standardise its project risk management mechanism.

STRATEGIES

Developing NPA management business vigorously while consolidating its traditional businesses

With a focus on distressed enterprises and assets, the Group intends to continue to leverage its access to onshore and offshore capital markets to resolve financial risks and contribute to the maintenance of a robust economy in China. The Group intends to further facilitate its business transformation and structural change by adopting the concept of "problem resource +"(問題資源+) and continue to explore innovative NPA-related businesses including cross-border entrusted management, custody liquidation and consulting, reorganisation and restructuring of problematic institutions, risk resolution of default bonds and trusts, and NPA-based securitisation. Furthermore, the Group will seize the special opportunities investment and explore a new profit model combining with core NPA management business. Leveraging on the increasing capital scale of Chinese financial institutions in Hong Kong as well as the close economic ties between Hong Kong and Mainland China, the Group plans to continue to explore the unique features of NPA disposals in Hong Kong and strives to optimise the vicinity and the strategic advantage of Hong Kong as a financial centre to avoid homogenous competition with other onshore industry participants.

In addition, following the overarching "dual return" (namely "return to onshore, return to core NPA management business") development strategy requirement of the China Great Wall Group in 2018, the Group endeavours to further steer its market positioning towards China Great Wall Group's core businesses of NPA management, M&A and restructuring. The Group will also proactively utilise offshore resources and professional advantages to cater for the NPAs of offshore Chinese financial institutions and the disposal of onshore NPAs and technology. The Guarantor will continue to strive as a strategically significant cross-border platform in attracting and connecting offshore investment capital, resources and technology with onshore enterprises.

In the future, the Group intends to steadily develop its core businesses of property investment, project-based investment, asset management and corporate finance (which includes M&A and restructuring consulting), while accelerating the development of its financial advisory business by capturing business opportunities emerging from special situations such as distressed situations, liquidity crises, refinancing, NPAs and loans.

The Group will focus on developing its "RAIR" (namely Refresh, Debt Acquisition, Banking and Reorganisation) business model while conducting M&A and restructuring business. The RAIR business model centres around refreshing business concepts, making debt acquisitions, employing corporate finance techniques and conducting reorganisation. In particular, the Group will further explore the business model of combining NPA acquisition with reorganisation. To facilitate such a model, it will establish acquisition funds and actively engage in industry, regional and cross-border M&A.

Expand and strengthen asset management with NPA management as its core business

The Group will vigorously pursue acquisition of NPAs from both banks and non-bank financial institutions, increasing its overall market share. The Group plans to proactively seek investment opportunities, formulate precise acquisition strategy and concentrate its resources on NPAs with value that can be realised through restructuring. Leveraging its expertise in NPAs and asset management as well as its full spectrum of corporate finance products, the Group aims to (i) help distressed businesses, (ii) realise underlying asset values and (iii) facilitate industry integration and development. The Group will also seek strategic alliances, develop innovative ways to conduct its NPA management business and diversify its NPA portfolio. It will also strengthen the development of its third-party asset management products and explore alternative asset management business from NPA management.

In the future, the Group intends to focus on its core businesses of NPA acquisition, management and disposal, paying attention to the field of special opportunity investment and comprehensively utilising means of M&A to give full play to its advantages in cross-border business. Moreover, with an extension of the Group's NPA management offshore and the its main playing field of cross-border NPA disposal, the Group intends to fully utilise its linkage role between domestic and overseas capital resources to become a professional institution with NPA management as one of its core businesses with strategies of "marketisation and internationalisation."

RECENT DEVELOPMENT

Since the beginning of 2020, the outbreak of COVID-19 epidemic has caused many deaths, panic among the public and the delay in resumption of local business in the PRC after the Chinese New Year holiday in 2020 and the on-going COVID-19 outbreak has resulted in increased travel restrictions and extended delay or suspension of some business activities in China and worldwide. This has significantly disrupted many aspects of the economy globally, created a negative economic impact and increasing market volatility in the PRC and globally and continued to cause increasing concerns over the prospects of the financial market in the PRC.

For the three months ended 31 March 2020, revenue and profit for the period of the Group decreased compared to the corresponding period last year primarily due to the outbreak of COVID-19 and resulting impact on financial market. In the first quarter of 2020, in both the PRC and globally, business activities were delayed or largely suspended, which created high uncertainties and volatilities in the financial markets. The market value and trading of the stocks and bonds in the secondary market were largely affected, and the travel restrictions imposed between mainland China and Hong Kong posed difficulties for the Group to conduct due diligence on new projects and therefore disrupted the Group's landing of new projects.

As the COVID-19 situation has alleviated in the mainland China and Hong Kong, the Group has seen a recovery of its regular business activities since April 2020. It has engaged in the negotiation of new projects, with one project successfully signed and some of which have been in the process of obtaining regulatory approvals. Moreover, the secondary market has also seen a recovery from its first quarter performance. However, due to the new rounds of COVID-19 outbreak in Hong Kong and certain cities in Mainland China including Beijing since June 2020, the Group may experience slowdown in business again.

On 5 August 2020, GWPA issued the Profit Warning on HKSE that based on the preliminary review of the unaudited consolidated management accounts of the GWPA Group for the Reporting Period and the information currently available to GWPA, the GWPA Group is expected to record an unaudited consolidated loss attributable to its shareholders as compared to the unaudited consolidated profit attributable to its shareholders for the six months ended 30 June 2019, which is primarily attributable to:

- the expected fair value losses arising from the revaluations of the GWPA Group's investment properties as at 30 June 2020, as compared to the fair value gains on investment properties for the corresponding period in 2019; and

- the expected share of loss of an associate of the GWPA Group for the Reporting Period arising from the fair value losses on revaluations of the investment properties of such associate, as compared to the share of profit of an associate of the GWPA Group for the corresponding period in 2019.

The decrease in appraised value of the investment properties of the GWPA Group and its associate (which mainly comprise of commercial properties) was a result of the unprecedented adverse market condition caused by the outbreak of COVID-19 pandemic in the first half of 2020.

Notwithstanding the forgoing, the GWPA Group does not expect material effect on its operating cash flow, since the revaluation loss is non-cash in nature and the GWPA Group's investment properties and investment in an associate are held as long-term investments for stable and recurring rental income. It is of the view that its overall financial and business positions remain healthy.

The aforesaid information is only based on a preliminary assessment on the unaudited consolidated management accounts of the GWPA Group and the information currently available to GWPA, which have not been audited or reviewed by GWPA's auditor nor reviewed by the audit committee, and may be subject to amendments. As such, it should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Details of the GWPA Group's financial information will be disclosed in the interim results announcement for the Reporting Period which is expected to be published in August 2020. The Profit Warning is not and shall not be deemed to be incorporated by reference in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of the Profit Warning. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of GWPA or the Group.

In the face of the COVID-19 outbreak and complex macro-political and economic environment both domestically in the PRC and internationally, the Group will leverage its competitive strengths to actively expand its rich and diversified financing channels, fully utilises its established close strategic and cooperative partnerships, and further strengthen its relationships with the onshore and offshore major financial institutions to keep its competitive position. It will seize the development opportunities of the Guangdong – Hong Kong – Macau Greater Bay Area and rely on the Group's overall resources, to deepen synergies, expand domestic business and explore potential projects. The Group will also strengthen internal management and intensify the construction of corporate culture to main a strong workforce in the face of the changing environment. In the face of the changing environment, the Group has established a strict supervision system as well as an effective assessment and drive mechanism to ensure that regulations are enforced rigorously and strong workforce are maintained sustainably.

BUSINESS OF THE GROUP

The Group mainly engages in NPA management business, financial service and investment business and property investment business. The Group's financial service and investment business mainly includes fixed income and equity investments in both primary and secondary markets. To better service its client needs, it also engages in financial intermediary business which includes asset management and corporate finance advisory services. The Group also engages in property investment business mainly through GWPA. GWPA contributes stable rental income and profit to the Group by investing in a diversified property portfolio comprising a number of strategically located investment and commercial properties, shopping centres, plazas and car parks in Hong Kong.

For the years ended 31 December 2017, 2018 and 2019, the Group's revenue was HK$2,058.1 million, HK$2,312.1 million and HK$2,125.8 million, respectively.

The following table sets forth a breakdown of the Group's revenue for the periods indicated:

	For the year ended 31 December					
Revenue	**2017**		**2018**		**2019**	
	(HK$ million)	*%*	*(HK$ million)*	*%*	*(HK$ million)*	*%*
NPA management business	–	–	–	–	25.4	1.2%
Financial service and investment business						
Project-based investment	778.9	37.8%	1,088.9	47.1%	1,078.9	50.8%
Secondary market trading	958.8	46.6%	463.5	20.0%	582.7	27.4%
Financial intermediary business	33.4	1.6%	239.6	10.4%	134.1	6.3%
Total	**1,771.1**	**86.1%**	**1,792.0**	**77.5%**	**1,821.1**	**85.7%**
Property investment business	287.0	13.9%	520.1	22.5%	304.7	14.3%
Total revenue	**2,058.1**	**100%**	**2,312.1**	**100%**	**2,125.8**	**100%**

NPA Management Business

The Group is keen to develop NPA management as its core business. In 2018, in line with its overall strategy, the Group actively provided NPA acquisition, disposal, additional investment, entrusted management, as well as special opportunities financing services for financial and non-financial institutions. In 2019, to implement the strategy of "dual return" (namely "return to onshore, return to core NPA management business"), the Group has performed in-depth analysis of its own situation and the market environment. Taking the cross-border NPA business as a breakthrough, the Group strives to expand its main business. It has proposed the business goal to "serve the dissolution of NPA of Chinese-funded financial institutions in Hong Kong", taken the initiative to strengthen contacts with Chinese banks and other financial institutions in Hong Kong, expanded its NPA business channels and actively participated in the bidding of several financial NPA projects.

In November 2019, the Guarantor successfully acquired the China Development Bank Hong Kong Branch's NPA package, the aggregate principal and interest of which amounted to approximately U.S.$1.2 billion. This was the Guarantor's breakthrough for acquisitions of NPA packages and also one of the first and largest NPA package acquisition businesses from financial institutions after the overseas platforms of four AMCs returned to their core business, which established the Guarantor's leading position in the main business among the overseas platforms of the four AMCs. Since the Guarantor acquired such NPA package, it has been carrying out routine maintenance efforts for asset packages and actively engaging in marketing efforts to and preliminary negotiations with interested investors. Utilising the experience of disposing of different types of NPA from domestic groups, the Guarantor has formed a market-orientated and international service line, built a professional personnel team for its NPA management business, and established an information system with the ability to dispose of NPAs in batches. The Group has published a disposal announcement on this NPA package and aims to complete the disposal by the end of 2020 and to realise profits. For the year ended 31 December 2019, the Group's income from its NPA business was HK$25.4 million, accounting for 1.2 per cent. of the Group's total revenue. In the near future, the Group aims to derive a substantial portion of its aggregate revenue from its NPA management business.

Financial Service and Investment Business

The Group's financial service and investment business is the larger contributor to the Group's consolidated revenue of its two business segments. As at 31 December 2019, the total value of assets attributable to the Group's financial service and investment business (including fixed income and equity investments in both primary and secondary markets) amounted to HK$21.9 billion, accounting for 58.4 per cent. of the Group's total assets. For the years ended 31 December 2017, 2018 and 2019, the Group's income from its financial service and investment business was HK$1,771.1 million, HK$1,792.0 million and HK$1,821.1 million, respectively, accounting for 86.1 per cent., 77.5 per cent. and 85.7 per cent., respectively, of the Group's total revenue.

The principal businesses of the Group's financial service and investment business include (i) project-based investment, which includes fixed income investments such as debt financing, entrustment loans, asset-backed schemes, structured financing products, asset restructuring financing, secured financing and convertible debt financing in the primary market, and equity investment in private companies and private equity funds, PIPEs, mezzanine investments and security products investment (such as investment in convertible bonds and exchangeable bonds); (ii) listed debt securities and listed equity securities investments in the secondary markets, and (iii) financial intermediary business which includes asset management and corporate finance services.

The Group has obtained licences to carry out various regulated activities such as the licence to act as a moneylender, as well as the licences for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. By leveraging its multiple financial licences, the Group provides its clients with flexible, customised and diversified financing channels and financial products through a comprehensive financial service and investment platform covering both the different business life cycles and the entire value chain of clients.

Project-based investment

The Group's project-based investment business can be further divided into fixed income investment, equity investment and others. For the years ended 31 December 2017, 2018 and 2019, the Group's revenue from its project-based investment business amounted to HK$778.9 million, HK$1,088.9 million and HK$1,078.9, respectively, accounting for 37.8 per cent., 47.1 per cent. and 50.8 per cent. of the Group's total revenue.

The Group has adopted a prudent approach in its project-based investments. At the pre-investment stage, the Group approves projects that are in line with the Group's investment direction, investment strategy, investment value and risk attributes requirements. Apart from thorough pre-due diligence by the Group's front office business units, the Group seeks external legal advice and internal approval from its compliance and business audit/management departments in devising business plans, the drafting of agreements and release of funds, all to ensure that each project is operating in compliance with relevant laws and under controllable risk. At the investment stage, the Group's front office business units provide regular and standardised updates on project status and fund usage. With respect to any risks identified in the post-investment stage, the Group requires its business units to report, evaluate, and implement risk-mitigating measures in a timely manner.

Fixed income investment

Fixed income investment refers to investment that generates a fixed amount of return payable on a fixed schedule during the entire investment period. Capitalising on its own investment expertise and the China Great Wall Group's customer base, the Group invested in a wide range of fixed income products in the primary market, such as debt financing, entrustment loans, asset-backed schemes, structured financing products, asset restructuring financing, secured financing, convertible debt financing and mezzanine investments (such as investment in convertible bonds and exchangeable bonds).

Fixed income investment has a dominant position in the Group's investment portfolio. As at 31 December 2019, the Group had 19 ongoing fixed income investment projects with an aggregate investment amount of HK$6.08 billion.

The Group's fixed income investment covers a broad range of industries such as water conservancy, environmental and public infrastructure management, real estate, construction, manufacturing, transportation, warehousing and postal services, financial services and investments, health and social work, public administration, social security and social organisations, wholesale and retail, production and supply of electricity, heating, gas and water, culture, sports and entertainment, telecommunications, software, information technology services and mining. The Group takes the following factors into account when selecting fixed income investment targets:

(i) *Industry and regional standards*: factoring in the latest national policies, industry trends and capital market developments, the Group endeavours to promote business developments in industries including financial services and investments, new energies, new materials, health, information technology, energy conservation and environmental protection, new energy vehicles, high-end equipment manufacturing, modern services, railway transportation and aerospace. In line with the national strategy to promote regional economic development, the Group endeavours to facilitate business development in the Guangdong – Hong Kong – Macau Greater Bay Area.

(ii) *Enterprise standards*: as part of the Group's strategy to cultivate a customer base with superior quality and maintain sustainable long-term strategic relationship with its clients, the Group focuses on investing in industrial leaders and companies with a sophisticated business model, as well as large well-known state-owned enterprises and private enterprises.

(iii) *Project standards*: the Group pursues a legally compliant transaction structure with considerable yield, stable cash flows, financing period within three years or below and a solid primary source of repayment.

The Group has adopted the following mitigating policies and procedures to reduce investment loss:

(i) *Risk control policies:* the Group generally requires its investments to have collaterals with a clear, integral, compliant, full and effective ownership and the rate of collaterals needs to be in compliance with the Group's internal requirement. Project teams are required to evaluate the monetisation efficiency of such collateral, as well as the impact on disposable value as a result of accelerated liquidation.

(ii) *Guarantee and undertaking*: the controlling shareholder(s), legal representative(s) and the person in *de facto* control of the target enterprise are generally required provide an undertaking of joint and several liability for the financing and disclose the list of properties under their control and details of any guarantee provided externally.

(iii) *Stock pledge*: stocks subject to a pledge are required to have clear ownership structure and be registrable. The target enterprises are also required to establish a mechanism on replenishing and closing positions. In addition, non-listed enterprises' equity pledge rate is required be evaluated by a recognised or qualified rating agency or agencies.

Equity investment

The Group invests its capital in private companies and private equity funds, PIPEs, mezzanine investments such as investment in preferred stocks, and security products investment. As at 31 December 2019, the Group had 44 ongoing equity investment projects with an aggregate investment amount of HK$9.15 billion. The Group's equity investment covers a broad range of industries such as transportation, warehousing and postal services, real estate, healthcare and medicine, social work, telecommunications, software and information technology services, mining, financial services, consumer goods, manufacturing, production and supply of electricity, heat, gas and water, as well as education.

Focusing on industries with strong growth potential, the Group makes strategic investments in selected high-quality companies and forms mutually beneficial cooperative relationships with such clients by providing financing support to foster their growth. In terms of investment strategies, the Group focuses on investments in unlisted companies' equity projects and in industries including wholesale and retail, financial services, warehousing and postal services, healthcare and medicine, as well as information technology services, and has also established a professional team to explore overseas merger and acquisition opportunities.

The Group generates capital gains from its equity investments primarily through adopting a variety of exit strategies, such as through an initial public offering, selling back through repurchase, transferring to third-party investors or through share sale by its portfolio companies.

The Group's private equity business has extensive client resources, a nationwide network layout as well as comprehensive financial services capabilities equipped with an experienced and professional execution team. The Group has established close cooperation with its portfolio companies through its provision of both capital support and comprehensive financial services, which enables the Group to tap into the potential growth value of such enterprises by providing individually tailored value-added services, promoting continuous development, maximising their enterprise value, achieving value appreciation for its equity investments and subsequently injecting into listed companies or other capital operations to realise its investment returns, and ultimately create value for its shareholders.

The Group manages some of its private equity investment by setting up investment funds. The following table sets out the details of the Group's investment funds as at 31 December 2019:

Fund	**Investment Targets**	**Fund Size**	**Time of Establishment**
		(HK$)	
CRE Alliance Fund I L.P..	Consumer goods/services sector	3,928,900,000	April 2016
China Merchants & Great Wall Ocean Strategy & Technology Fund (L.P.)	Marine technology sector	7,780,000,000	August 2017

Secondary market investment

The Group also engages in the investment of fixed income products and equity securities listed and traded on the stock exchange of Hong Kong, such as debt securities and shares. For the years ended 31 December 2017, 2018 and 2019, the Group's income from its secondary market trading business amounted to HK$958.8 million, HK$463.5 million and HK$582.7 million, respectively, accounting for 46.6 per cent., 20.0 per cent. and 27.4 per cent., respectively, of the Group's total revenue.

The Group's secondary market equity investment covers a broad range of industries such as financial services, insurance, real estate, communications and consumer goods as well as production and supply of electricity, heat, gas and water. The industries which the Group's secondary market debt investment covers include finance, real estate, communications and consumer goods as well as manufacturing. In recent years, the Group has continually sought to optimise its secondary market trading business structure and portfolio so as to strike a better balance between risk and return.

For its investment in equity securities, the Group selects large-cap blue-chip stocks listed on the Shanghai, Shenzhen and Hong Kong stock exchanges. The Group's investment managers then select different types of stocks for investment from the trading pool based on their research (which covers macroeconomics, industry sectors and individual stocks), discussions with research analysts and the prevailing market conditions. After the investment decision committee approves an investment decision, the investment managers seek final authorisations from different levels of management based on the value of each investment, and subsequently place orders with the traders.

For its investments in debt securities, the Group has adopted a stringent risk management system to keep its investment risks within a reasonable level. The Group strictly controls its investment periods to minimise the risk of default. Currently, most of its debt securities comprise financial bonds, national and local government bonds (with an issuer credit rating of at least B-), and corporate bonds (with the issuer being a listed company, or a subsidiary or a holding company of a listed company, and state-owned enterprises controlled by governments). Based on prevailing market conditions, the Group actively adjusts its investment strategies and asset allocation between aggressive and conservative approaches so as to minimise risks and capture gains.

To reduce the Group's risk exposure in its secondary market investments, the Group has adopted various hedging and derivative strategies including cross-interest swaps, foreign exchange forwards, U.S. Treasury futures and bond repurchase contracts. Such derivative instruments are held by the Group solely for hedging purposes; the underlying assets of these derivatives correspond to the assets held by the Group, with moderate market risk and a hedging ratio strictly controlled at the same level or below the risk exposure of the assets held by the Group.

Financial intermediary business

Another key segment of the Group's financial service and investment business is financial intermediary business, including asset management and corporate finance, with a principal focus on NPA and special opportunities investment. For the years ended 31 December 2017, 2018 and 2019, the Group's income from its financial intermediary business amounted to HK$33.4 million, HK$239.6 million and HK$134.1 million, respectively, accounting for 1.6 per cent., 10.4 per cent. and 6.3 per cent., respectively, of the Group's total revenue.

In the third quarter of 2017, the Guarantor and KKR entered into a strategic cooperation to invest in global leveraged lending products and explore strategic capital market initiatives in Asia. KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, energy, infrastructure, real estate, credit and, through its strategic partners, hedge funds. The cooperation brings together the asset management expertise of the China Great Wall Group in China and KKR's investment experience and global network. The cooperation will focus on opportunities in capital markets, specifically the leveraged loan sector, benefiting from the capital markets and investment expertise of KKR to strengthen the growth of the Group and the China Great Wall Group. As at 31 December 2019, the Group had a total of 63 projects with KKR, covering industries such as financial services, healthcare, technology, media and telecom and consumer products which make up of 22 per cent., 14 per cent., 22 per cent. and 17 per cent. of the aggregate number of projects between the Group and KKR, respectively. During the year ended 31 December 2019, such cooperation had generated accumulated income approximately in the amount of HK$133.0 million, contributing substantially to the Group's financial service and investment business.

The Group primarily conducts its asset management business through GWPAAM. The asset management business generates revenue by charging management fees based on the amount of assets under management. The Group primarily conducts its corporate finance business through GWPA Corporate Finance. The scope of services of corporate finance services includes advising on corporate finance transactions and advising on deal structure and financing strategies in the context of mergers and acquisitions, takeovers and other notifiable transactions.

Property Investment Business

The Group invests in various commercial and industrial properties mainly in Hong Kong through GWPA, which is a subsidiary property holding company of the Guarantor and is principally engaged in the property development business. As at 31 December 2019, the Guarantor indirectly held approximately 74.89 per cent. of the total issued share capital of GWPA. GWPA contributes stable rental income and profit to the Group by investing in a diversified property portfolio comprising a number of strategically located investment and commercial properties, shopping centres, plazas and car parks in Hong Kong. For the years ended 31 December 2017, 2018 and 2019, the Group's income from its property investment business amounted to HK$287.0 million, HK$520.1 million and HK$304.7 million, respectively, accounting for 13.9 per cent., 22.5 per cent. and 14.3 per cent., respectively, of the Group's total revenue.

As at 31 December 2019, the Group has a total of 24 investment properties, among which 3, 10 and 11 are located on Hong Kong Island, Kowloon and the New Territories, respectively. As at 31 December 2019, the total value of assets attributable to the Group's property investment business amounted to HK$6.70 billion, accounting for 17.88 per cent. of the Group's total assets.

On 28 November 2017, GWPA, through its wholly-owned subsidiary, subscribed for the shares of a joint venture property investment holding company which had contracted to purchase the portfolio assets disposed of by LINK REIT (which is listed on the Hong Kong Stock Exchange (stock code 823)) comprised of 17 diversified commercial properties and shopping centres, plazas and car parks in Hong Kong at (i) Cheung Hang Shopping Centre, Kai Yip Commercial Centre, Kam Tai Shopping Centre, Lei Cheng Uk Shopping Centre, On Ting Commercial Complex, Shek Lei Shopping Centre I & II, Tai Wo Hau Commercial Centre, Tsz Ching Shopping Centre, Yau Oi Commercial Centre and Yung Shing Shopping Centre; and (ii) Kwai Fong Plaza, Kwai Shing East Shopping Centre, Lai Kok Shopping Centre, Lee On Shopping Centre, Retail and Car Park within Shun Tin Estate, Tsing Yi Commercial Complex and Lions Rise Mall (in the form of acquiring the entire issued share capital of Metro Pilot Limited). The investment was completed in February 2018.

In addition, in June 2018, the Group completed the acquisition of one of the commercial properties in the portfolio, namely Kwai Fong Plaza. Completion of such acquisition in June 2018 enables the Group to further expand its property investment business, thereby creating additional sources of revenue and enhancing its profitability. These transactions mark a new milestone for the Group in gaining a sizeable retail presence in Hong Kong.

During the year 2019, the Group's property investment segment continued to contribute stable rental income and profit to the Group by maintaining satisfactory occupancy rates and income from the five investment properties in Hong Kong, consisting of Kwai Fong Plaza, certain floors of the Bank of America Tower in Central, Yue King Building in Causeway Bay (including the outdoor billboards and the exterior wall), Ko Fai Industrial Building in Yau Tong and Sea View Estate in North Point. These investment properties generated segment operating revenue of HK$120.9 million and recorded an aggregate property revaluation gain of HK$169.2 million during the year, benefiting from the stable property market in Hong Kong.

Other Businesses

The Group is committed to capturing opportunities emerging from cross-border special situations, providing customised financing solutions to satisfy clients' financing needs in distressed situations, leveraged acquisition, strategic mergers and acquisitions, business expansion, and other commercial and investment activities.

FUNDING

The Group's primary sources of funding include funding support from China Great Wall, borrowings from banks, borrowings from other financial syndicates and offshore capital market offerings, as well as alternative financing through asset securitisation and third-party asset management. The Group believes that it has adequate sources of capital and established relationships with financial institutions that provide credit facilities to the Group. The Group was able to effectively control funding risks due to the low concentration of available funding channels.

COMPETITION

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

EMPLOYEES

As at 31 December 2019, the Group had 80 employees. 37 employees held professional qualifications to conduct securities, futures, funds, banking, insurance, accounting, auditing, legal or internal evaluation business, accounting for 46.3 per cent. of the Group's total employees. The Group is committed to recruiting, training and retaining skilled and experienced employees. The Group intends to achieve this by offering competitive remuneration packages as well as by focusing on local and overseas professional training and career development of its employees.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group is committed to establishing a comprehensive risk management system that is integral to its business operations. With regards to risk management, the Group is committed to strengthening its risk control culture by establishing a robust corporate governance structure and internal control policies. The Group has built a "multifaceted, multidimensional, full coverage" comprehensive risk management system with the aim of ensuring:

- stable operations and the healthy development of the Group;
- that risk management is consistent with the Group's development strategy and operational objectives;
- the proper execution of significant decision-making procedures adopted by the Group to realise its operational objectives and guarantee operational efficiency and effectiveness; and
- the compliance of the Group's business with relevant regulatory requirements, as well as the absence of other material risks relating to the Group's business operations.

The multidimensional risk management system consists of (i) full process management, (ii) full risk prevention, (iii) all staff involvement and (iv) comprehensive risk coverage over the Group's business.

Full process management

Full process management refers to "three defensive lines," being the front-office business operation department, the middle-office business management department and the back-office legal and compliance and audit department. The business operation department of the Group is responsible for identifying, evaluating and controlling operational and post-investment risks. The business management department of the Group is responsible for assisting the business operation department in identifying, assessing and monitoring financial risks of the Group's business. The audit department of the Group is responsible for evaluating the effectiveness of risk management and internal control, providing suggestions for improvement and supervising the implementation of improvement methods. The legal and compliance department is responsible for providing legal support for the Group's operations and supervising the Group's management of compliance risk.

Full risk prevention

The Group adopts both quantitative and qualitative approaches for evaluating risks and has established a sound risk management mechanism as well as robust procedures to ensure that all types of risks are monitored thoroughly and effectively. The Group also applies risk management techniques to conduct various scenario (or sensitivity) analyses and stress tests to balance its risk tolerance and profitability. The Group has established a system of internal reporting channels to monitor economic capital risks.

Credit Risk

Credit risk is the risk of loss resulting from the failure of one of the Group's debtors to make principal or interest payments in full when due. The Group is exposed to credit risk primarily associated with its NPAs and other impaired assets in Renminbi or foreign currencies stripped from major financial or nonfinancial institutions, the credit quality of which may deteriorate because of socioeconomic or customer-specific factors linked to economic performance.

The Group has established and strictly follows its business management policy guidelines and business approval procedures, which cover the periods before, during and after the occurrence of credit risk. The business management policy guidelines and business approval procedures mainly reflect the following three components: counterparty due diligence, project approval and post-implementation project management. Among these, counterparty due diligence plays an important role in the Group's credit risk management and is considered the most significant initial defence against credit risk. Meanwhile, the Group controls customer concentration risk by setting investment quotas for its counterparties.

Market Risk

Market risk refers to the potential loss of the Group as a result of changes in interest rates, market prices, foreign currency exchange rates and other related risk factors. The principal market risks to which the Group is exposed include interest rate risk, market price risk and exchange rate risk.

With respect to assets and liabilities of the Group that are sensitive to interest rates, the Group manages interest rate risk by strictly controlling the maturity date and strengthening the combination of maturity and interest rate structure between its liabilities and its assets. With respect to market price risk, the Group closely monitors the effects of macroeconomic changes and industry trends on operations and financial conditions of the enterprises in which the Group owns an equity interest, as well as on the Group's own equity value, and adjusts its equity management and disposal strategies accordingly. With respect to market risks to which the Guarantor's subsidiaries are exposed, the Group has established market risk management systems in accordance with regulatory requirements and standard industry practices.

Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds, or to obtain funds at reasonable cost, to repay the Group's financial obligations when they fall due. Liquidity risk can be further divided into financing liquidity risk and asset liquidity risk.

- ***Financing liquidity risk*** – the Group manages financing liquidity risk by increasing the number of banks that provide credit facilities to the Group, increasing the available credit limits and extending the credit terms. At the same time, the Group explores additional external financing channels, including, among others, the issuance of private equity bonds and syndicated loans.

- ***Asset liquidity risk*** – the Group manages asset liquidity risk by continuously improving transactional structures, shortening the turnover period of projects, increasing the cash flow return rate of projects, and implementing instalment repayment schedules for customers. The Group increases its surplus reserve rate and strengthens its asset liability management through centralised management of funds.

Operational Risk

Operational risk refers to the risk of losses resulting from internal operational failures or external events beyond the Group's control. Internal operational failures arise from inappropriate internal procedures (procedure risk), system failures (system risk) or artificial errors or corruption (artificial risk). Uncontrollable external events that contribute to operational risk mainly include, among others, law and policy factors, changes in the macro-control policies of the PRC government and regional development strategies or legal requirements, such as adjustments to taxation law or accounting standards.

In order to effectively manage operational risk and internal control, the Group has formulated a set of internal risk control procedures and established a system of supervision by the risk management (audit) committee on management-level risk control. The Group actively implements risk responsibilities across different departments and job positions in different stages of project management such as due diligence, review and approval, conditions examination, funds recovery and post-implementation project management. The Group allocates risk responsibilities to ensure proper risk management performance by every department.

Reputational Risk

Reputational risk refers to the risk of receiving negative comments from stakeholder(s) of a group as a consequence of operation, management or other behaviours of that group or external events.

The Group has established a reputational risk management system to conduct spontaneous reputational risk management. The aim of reputational risk management is to discover and promptly deal with incidents in relation to or which may lead to reputational risk of the Group and to prevent it from happening, to protect and improve the social image of the Group, minimise negative impacts on the Group and hence improve the operational management and service level of the Group.

The Group places importance on reputational risk management. In its daily operation, the Group has worked in accordance with the principles of proactive management, prudent management, division of duties and responsibility, process management, full involvement and classification management to reinforce the awareness of reputational risk management and further improve the ability of reputational risk management so as to safeguard and promote its social reputation, brand name and image.

The Group also has a contingency plan in place to deal with any negative publicity, which provides units responsible for reputational risk management and establishes a highly effective communication and coordination mechanism among related divisions. The contingency plan deals with publicity events, aiming to proactively control the risks resulting from such events.

All staff involvement

All staff involvement is carried out by various departments at both the Guarantor level and the Group members' level throughout the process. The overall structure of the Group's risk management is as follows:

- *Board of directors and senior management* – in command of the Group's comprehensive risk management and responsible for approving and reviewing the overall risk management plan, policies and regulation and the allocation of risk capital;

- *Business Management and Approval Department* – tasked with carrying out risk management, developing internal risk management-related regulations and procedures, implementing risk monitoring and control, and preparing risk monitoring reports. Such regulations and procedures are applied and implemented across the Group; and

- *Risk management by the Guarantor and its subsidiaries* – each of the Guarantor and its subsidiaries implements risk management procedures, carries out risk control measures, monitors operational risk continuously, conducts periodic analysis of asset risk and prepares risk monitoring reports.

Comprehensive risk coverage over the Group's business

Comprehensive risk coverage refers to the full coverage of risks over the Group's financial services and investments, corporate finance, NPA investment and management business operations at both the Guarantor level and the Group members level.

LICENCES

The Group has obtained and maintained various licences and permits in relation to its operations. The Guarantor has been licensed as a money lender under the Money Lenders Ordinance (Cap.163) of Hong Kong since 1993. Under such licence, the Guarantor has been developing its fixed income investment and financing projects in Hong Kong.

GWPA Corporate Finance (formerly known as Great Wall International Corporate Finance Limited), a subsidiary of the Guarantor incorporated in Hong Kong, is licensed in Hong Kong to carry on Type 6 (advising on corporate finance) regulated activity under the SFO.

GWPAAM, a subsidiary of the Guarantor incorporated in Hong Kong, is licensed for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

GWPA (formerly known as Armada Holdings Limited, which is listed on the Hong Kong Stock Exchange (stock code 583)), a subsidiary of the Guarantor, is principally engaged in the property development business.

LEGAL PROCEEDINGS

From time to time, the Group may be involved in legal proceedings, claims or other disputes in the ordinary course of its business. As at the date of this Offering Circular, there was no litigation or arbitration pending or threatened against the Group which the Guarantor believes could have a material adverse effect on its business, financial condition or results of operations.

DIRECTORS AND SENIOR MANAGEMENT OF THE GUARANTOR

Board of Directors

The members of the Guarantor's board of directors as at 31 December 2019 are as follows:

Name	Position
CHEN Zenan	Executive Director and Chairman of the Board of Directors
XU Yongle.	Executive Director and Chief Executive Officer
HUANG Hu	Non-Executive Director
CHEN Liangsheng.	Non-Executive Director
BAI Jing	Non-Executive Director

CHEN Zenan

Executive Director and Chairman of the Board of Directors

Mr. Chen Zenan has been a director and the chairman of the board of directors of the Guarantor since January 2018. He has also been a non-executive director, the chairman of the board of directors, the chairman of the nomination committee and a member of the audit committee of GWPA. Mr. Chen has engaged in finance-related work since 1979 and has 40 years of experience in the finance field. He served as the vice president and deputy secretary of the Party affairs committee of the Chaozhou branch of Agricultural Bank of China (中國農業銀行潮州分行); the director of the finance department, Party member, deputy general manager, secretary of the commission for discipline inspection, deputy Party secretary, Party secretary and general manager of the Guangzhou Office of China Great Wall; and the director and chairman of the board of directors of Guangzhou Zhongchangxin Investment Management Co., Ltd. (廣州中長信投資管理有限公司). He has served as the chief operating officer of China Great Wall since February 2015. Mr. Chen holds a postgraduate degree in economics and holds the title of senior economist.

XU Yongle

Executive Director and Chief Executive Officer

Mr. Xu Yongle has been an executive director of the Guarantor since 2012 and chief executive officer of the Guarantor since January 2019. He has also been a director, chief executive officer and member of the investment decision-making committee (投資決策會) of Great Wall WL Ross Fund (長城羅斯基金) since May 2017. Prior to his appointment held with the Guarantor, Mr. Xu has served as deputy director, director and deputy general manager of the International Business Department of China Great Wall (and worked at the Forex Credit Division of China Agricultural Development Bank (中國農業發展銀行辦公室外匯信貸處)). Mr. Xu holds a doctoral degree in accounting from the Institute of Fiscal Science under the Ministry of Finance (財政部財政科學研究所).

HUANG Hu

Non-Executive Director

Mr. Huang Hu has engaged in finance-related work since August 1983 and obtained the title of senior economist in 1998. Mr. Huang has been a director of the Guarantor since June 2015. From 5 November 2016 until 15 March 2019, he served as a non-executive director and a member of the audit committee of GWPA. He was subsequently re-designated as an executive director and was appointed as the chief executive officer of GWPA in March 2019. From August 1983 to October 1995, Mr. Huang served as deputy division chief and division chief of the human resources department (in charge of comprehensive work) in the Guangdong branch of Agricultural Bank of China (中國農業銀行廣東省分行). From October 1995 to October 1996, he served as deputy governor and Party member in Guangdong Province

Jiangmen branch of Agricultural Bank of China (中國農業銀行廣東省江門市分行), and governor of the Jiangmen Waihai sub-branch (中國農業銀行江門市外海支行). From October 1996 to June 1998, he served as Party member in the Guangzhou branch (中國農業銀行廣州分行) and Party secretary in the Guangzhou Suixi sub-branch of Agricultural Bank of China (中國農業銀行廣州穗西支行). From June 1998 to December 1999, he served as Party secretary to the governor in the Guangdong Province Shaoguan branch of Agricultural Bank of China (中國農業銀行廣東省韶關市分行). From December 1999 to January 2007, he served as deputy general member, Party member and secretary of the Commission for discipline inspection of the Guangzhou office of China Great Wall. From January 2007 to January 2014, Mr. Huang served as general manager and Party secretary of the Haikou office of China Great Wall. Since January 2014, Mr. Huang has also served as the supervisor and chief supervisor of Great Wall Finance Guarantee Co., Ltd. (長城融資擔保有限公司), while also holding the positions of supervisor and vice chairman of the supervisory committee of Great Wall Xinsheng Trust Co., Ltd. (長城新盛信托有限責任公司). Since May 2015, he has served as director of Great Wall Guofu Real Estate Co., Ltd. (長城國富置業有限公司). Mr. Huang holds a master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院), and has investigated and studied asset management and investment banking business in the United States of America, the United Kingdom, Germany and Japan.

CHEN Liangsheng

Non-executive Director

Mr. Chen Liangsheng has been a non-executive director of the Guarantor since April 2017. He has also been a general manager of the board of supervisors of the subsidiaries management department of China Great Wall (中國長城資產管理股份有限公司子公司管理部), the chairman of the board of supervisors of Great Wall Guofu Properties Limited (長城國富置業有限公司) and the supervisor of Bosera Asset Management Co., Ltd. (博時基金管理有限公司) since April 2017. Prior to his appointment held with the Guarantor, Mr. Chen has served as the general manager and secretary of the Party Affairs Committee of the Fujian Office of China Great Wall (中國長城資產管理股份有限公司福建省分公司); the deputy general manager, general manager, senior manager of the member, deputy Party secretary and Party secretary of the Fuzhou Branch of China Great Wall (中國長城資產管理公司福州市辦事處); the deputy general manager and director of the human resources division of the comprehensive management department (綜合管理部(人力資源部)), director of the asset disposal committee office (資產處置委員會辦公室), member of the Party Affairs Committee and secretary of the commission for discipline inspection of the Heifei Branch of China Great Wall (中國長城資產管理公司合肥市辦事處); the deputy director of the retail business division (零售業務) and as deputy director of the information centre (信息電腦中) of the Anhui Office of Agricultural Bank of China (中國農業銀行安徽省分行); and the member of the planned credit section (計劃信貸科), assistant to chief officer, deputy chief officer and chief officer of the planning section (計劃科), vice president and deputy secretary of the Party Group (黨組) of the Chaohu Sub-Branch of Agricultural Bank of China (中國農業銀行巢湖市分行). Mr. Chen holds a master's degree in economics and management from the Party School of the Central Committee of CPC (中央黨校).

BAI Jing

Non-executive Director

Ms. Bai Jing has been a director of the Guarantor since August 2018. Prior to her current appointment held with the Guarantor, she previously served as the director of the department of comprehensive management, deputy general manager, general manager and a member of the Party Affairs Committee of the Lanzhou Branch of China Great Wall (中國農業銀行蘭州市分行). Ms. Bai is also an employee supervisor and general manager of the department of party-masses work of China Great Wall. Ms. Bai holds a master's degree in business administration for senior managers from Zhongnan University of Economics and Law (中南財經政法大學).

Senior Management

The members of the Guarantor's senior management as at 31 December 2019 are as follows:

Name	Position
XU Yongle.	Chief Executive Officer
JIANG Baojun	Deputy General Manager
CHEN Anhua	Deputy General Manager
MENG Xuefeng	Deputy General Manager
XIAO Ling.	Assistant General Manager

XU Yongle

For details regarding Mr. Xu, see "– *Board of Directors*" above.

JIANG Baojun

Deputy General Manager

Mr. Jiang Baojun has been a deputy general manager and a senior specialist of the Guarantor since August 2018. He has also been a senior manager, deputy manager and senior specialist of the development and reform office and strategic development department of China Great Wall since April 2009. Mr. Jiang has engaged in finance-related work since 1981 and has 39 years of experience in the finance field. He served as the deputy director and director of the financial accounting division of the Shanxi branch of Agricultural Bank of China (中國農業銀行陝西省分行財務會計處) and the deputy director and director of the financial accounting division and the asset management division of the Xi'an office of China Great Wall (中國長城資產管理股份有限公司西安分公司). Mr. Jiang holds a doctoral degree in management and a master's degree in business administration from Northwest A&F University (西北農林科技大學) and holds the title of senior economist as well as certified public accountant (non-practising).

CHEN Anhua

Deputy General Manager

Mr. Chen Anhua has been a deputy general manager of the Guarantor since November 2016. Prior to his current appointment held with the Guarantor, Mr. Chen served as the project manager and section head of the asset operation department and investment banking department of the Changsha Office of China Great Wall from January 2002 to January 2006, and as the senior/senior deputy manager of different departments from February 2006 to September 2015. He subsequently served at the asset operation department (Division I) of the head office of China Great Wall from October 2015 to September 2016. Prior to joining China Great Wall, Mr. Chen served as the deputy head of Changsha Office of the Agricultural Bank of China. He also served as the director of each of Hunan Changyuan Wood-Based Panel Co., Ltd. (湖南長元人造板股份有限公司), Zhuzhou Xinguangming Glass Company Limited (株州新光明玻璃有限責任公司), Hunan Zhuoyue Pulp & Paper Company Limited (湖南卓越漿紙有限公司), as well as a director and deputy general manager of Today Industrial Company Limited (今朝實業有限公司). Mr. Chen holds a bachelor's degree from Fudan University in economics, and a master's degree from the Central South University in business management.

MENG Xuefeng

Deputy General Manager

Mr. Meng Xuefeng has been a deputy general manager of the Guarantor since July 2017. Prior to his current appointment held with the Guarantor, he served as a senior manager of the Guarantor from March 2015 to July 2017. He has also been an executive director and a member of the remuneration committee of GWPA since November 2016 and a deputy chief executive officer of GWPA since March 2017. From May 2005 to June 2006, he served as deputy director of the business development department of the Guangzhou Office of China Great Wall. He was subsequently appointed as the senior deputy manager and senior manager of the assets operation department from July 2010 to February 2012, and the senior manager of the intermediary business department and the second intermediary business department from February 2012 to March 2015. He also served as director of Guangdong Zhongchangxin Investment Management Co., Ltd. (廣東中長信投資管理有限公司) from June 2006 to July 2010. Mr. Meng holds a master's degree in economics from Jinan University.

XIAO Ling

Assistant General Manager

Mr. Xiao Ling has been the assistant general manager of the Guarantor since 10 September 2019. He has also been the deputy general manager of GWPA since 11 October 2019. He holds a doctoral degree in economics and holds the title of senior economist. He graduated from Xi'an Jiaotong University with a bachelor's degree in engineering, majoring in thermal turbines in 1992, and obtained a master's degree in economics majoring in monetary banking and a doctoral degree in economics, majoring in finance from Southwestern University of Finance and Economics in 1997 and 2007, respectively. From July 1992 to September 1994, Mr. Xiao served as an assistant engineer of the second chemical factory of Chengdu (成都化工二廠). From July 1997 to February 2000, he served as senior staff member of the international business department of the Sichuan Province branch of Agricultural Bank of China. From February 2000 to August 2010, Mr. Xiao served as deputy division chief of the asset operation and management department, principal staff member of third division of asset operation department, and business executive of general affairs department of the Chengdu office of China Great Wall. He was re-designated to the human resource department of the headquarters of China Great Wall in August 2010 and served as business executive of the remuneration management division, senior deputy manager of the remuneration management division and senior manager of the veteran cadre management division. From March 2015 to June 2019, he worked in the capital management department of the headquarters of China Great Wall, served as senior manager of the capital markets division, senior manager of the capital management division and senior manager of the debt planning division.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the business of the Group. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Guarantor.

THE PRC LEGAL SYSTEM

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

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

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

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

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

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

THE PRC JUDICIAL SYSTEM

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

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

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

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

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the PRC court's examination in accordance with the principal of reciprocity, unless the PRC court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, sovereignty or national security, or for reasons of social and public interests.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholders or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

Under existing British Virgin Islands law, payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

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 Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong;

- interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

- interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds 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

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security for so long as the register of Bondholders is maintained outside Hong Kong.

PRC

The following summary describes certain PRC tax consequences of ownership and disposition of the Bonds 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 Holders in this "Taxation-PRC" section. In considering whether to invest in the Bonds, investors should consult their own 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.

EIT

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "*de facto* management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. Although the rules are not entirely clear, dividends from a PRC tax resident enterprise should be excluded from the taxable income of a recipient that is also a PRC tax resident enterprise. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "*de facto* management body" of the Issuer is within the territory of PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law, and the Issuer may be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Bondholders and 20 per cent. in the case of non-resident individuals, subject to the provisions of an applicable tax treaty. The Issuer has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

In addition, in the case where the Guarantor is regarded as a PRC tax resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations under the Guarantee of the Bonds, the Guarantor must withhold PRC income tax on payments with respect to the Bonds to non-resident enterprise holders generally at the rate of 10 per cent. (and possibly at a rate of 20 per cent. in the case of payments to non-resident individual holders), if such interest payments are deemed to be derived from sources within the PRC, subject to the provisions of any applicable tax treaty.

VAT

According to Circular 36, the entities and individuals providing services within PRC will be subject to VAT. Services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. Services subject to VAT include financial services, such as the provision of loans and the transfer of financial products. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon.

Therefore, starting from 1 May 2016, the VAT and surcharges may be deducted at the rate of 6.72 per cent. of the interest payable by the Guarantor on the Bonds under the Guarantee of the Bonds to the Bondholders, if the PRC tax authorities view the recovery of such interest from the Guarantor by the Bondholders would be deemed by the PRC tax authorities as providing taxable services in the PRC on part of the Bondholders under the Circular 36.

Where a holder located outside of the PRC resells Bonds to a buyer also located outside of the PRC, since neither buyer nor seller is located in the PRC, theoretically Circular 36 would not apply and the Issuer would not have the obligation to withhold VAT or local levies. However, there is uncertainty as to the applicability of VAT if either a seller or buyer of Bonds is located within the PRC.

Circular 36 has been issued recently and remains subject to further clarification and/or interpretations by the competent tax authority. There is uncertainty as to the application of the Circular 36 in the context of the issuance of the Bonds, payments thereunder, and their sale and transfer.

The Group confirms that, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise. Pursuant to the VAT reform detailed above, the Guarantor may need to withhold VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. The Issuer has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that Bondholders would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

Stamp Duty

No PRC stamp duty will be chargeable upon the issue or transfer of a Security (for so long as the register of Bondholders is maintained outside the PRC).

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 12 August 2020 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, which have severally, but not jointly, agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for the aggregate principal amount of the Bonds set forth opposite its name below.

	Principal Amount of the Bonds to be subscribed
	(U.S.$)
Joint Lead Managers	
Bank of Communications Co., Ltd. Hong Kong Branch	28,000,000
BOCOM International Securities Limited	28,000,000
Industrial and Commercial Bank of China (Asia) Limited	28,000,000
ICBC International Securities Limited	28,000,000
Agricultural Bank of China Limited Hong Kong Branch	28,000,000
ABCI Capital Limited	28,000,000
Bank of China (Hong Kong) Limited	28,000,000
Bank of China Limited	28,000,000
BOCI Asia Limited	28,000,000
China Construction Bank (Asia) Corporation Limited	28,000,000
CCB International Capital Limited	28,000,000
Standard Chartered Bank	34,000,000
Morgan Stanley & Co. International plc	28,000,000
CMB International Capital Limited	10,000,000
CMB Wing Lung Bank Limited	10,000,000
China Merchants Securities (HK) Co., Ltd.	10,000,000
CLSA Limited	10,000,000
China CITIC Bank International Limited	10,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch	10,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	10,000,000
SPDB International Capital Limited	10,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	10,000,000
CMBC Securities Company Limited	10,000,000
Dongxing Securities (Hong Kong) Company Limited	10,000,000
Guotai Junan Securities (Hong Kong) Limited	10,000,000
Crédit Agricole Corporate and Investment Bank	10,000,000
TOTAL	500,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will indemnify the Joint Lead Managers and their respective affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate the Subscription Agreement in certain circumstances prior to the payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the Offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds). Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with this offering. Accordingly, references herein to the Bonds being 'offered' should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors – Risks Relating to the Bonds and the Guarantee of the Bonds – An active trading market for the Bonds may not develop and there may be limited liquidity for the Bonds*"). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading prices of the Bonds. The Joint Lead Managers and their respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any of the Joint Lead Managers appointed and acting in its capacity as stabilisation manager (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager), provided that China CITIC Bank International Limited shall not be appointed and acting as the Stabilisation Manager, may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager or 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 Joint Lead Managers.

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

GENERAL

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

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

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Bonds and the Guarantee of the Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds and the Guarantee of the Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds and the Guarantee of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds and the Guarantee of the Bonds are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee of the Bonds, an offer or sale of Bonds and the Guarantee of the Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each of the Joint Lead Managers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

EUROPEAN ECONOMIC AREA AND THE UK

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area and the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

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

(b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

HONG KONG

Each of the Joint Lead Managers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; 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 (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of that C(WUMP)O; and

(ii) 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 Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each of the Joint Lead Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and the Macau Special Administrative Region or Taiwan), except as permitted by the securities laws of the PRC.

JAPAN

The Bonds 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 "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds 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 re-sale, 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 Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds 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 Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time (together, the "**SFA**")) under Section 274 of the SFA, (ii) to a relevant person 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 Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities based Derivatives Contracts) Regulations 2018.

BRITISH VIRGIN ISLANDS

Each of the Joint Lead Managers has represented, warranted and agreed that no offer has been made directly or indirectly to any person in the British Virgin Islands to purchase or subscribe for any of the Bonds.

GENERAL INFORMATION

1. **CLEARING SYSTEMS**: The Bonds have been accepted for clearance through Euroclear and Clearstream. The Issuer's Legal Entity Identifier (LEI) code is 254900N6H4J4MJJ8ZN67.

   The securities codes for the Bonds are as follows:

Common Code:	220679900
ISIN:	XS2206799004

2. **AUTHORISATIONS**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer on 11 August 2020. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the provision of the Guarantee of the Bonds and the entry into the transaction documents in connection with the Bonds. The giving of the Guarantee of the Bonds was authorised by resolutions of the board of directors of the Guarantor on 11 August 2020.

3. **NO MATERIAL ADVERSE CHANGE**: Save as disclosed in this Offering Circular, there has been no material adverse change in the financial condition or results of operations of the Issuer since its incorporation and there has been no material adverse change in the financial condition or results of operations of the Guarantor or the Group since 31 December 2019.

4. **LITIGATION**: None of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings that are material in the context of the Bonds nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

5. **AVAILABLE DOCUMENTS**: Copies of the following documents may be inspected during normal business hours at the specified office of the Guarantor at 20th Floor, Bank of America Tower, 12 Harcourt Road Central, Hong Kong for so long as the Bonds are capable of being issued:

   (a) the Articles of Association of the Issuer and the Guarantor;

   (b) the Trust Deed;

   (c) the Agency Agreement; and

   (d) the audited consolidated financial statements of the Guarantor as at and for the two years ended 31 December 2018 and 2019.

   Copies of items (b) and (c) above are available for inspection by Bondholders following prior written request and proof of holding and identity satisfactory to the Trustee or the Principal Paying Agent, as the case may be, at all reasonable times from Monday to Friday during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the principal place of business of the Trustee (being at the date of this Offering Circular at One Canada Square, London E14 5AL, United Kingdom) and at the specified office for the time being of the Principal Paying Agent, so long as any Bond is outstanding.

6. **FINANCIAL STATEMENTS**: The consolidated financial statements of the Guarantor as at and for the years ended 31 December 2018 and 2019 have been audited without qualification by Deloitte, independent accountants as stated in its audit report.

7. **LISTING**: Application has been made to HKSE for the listing of the Bonds by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Bonds on the HKSE will commence on 19 August 2020.

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CHINA GREAT WALL AMC (INTERNATIONAL) HOLDINGS COMPANY LIMITED
中國長城資產(國際)控股有限公司

REPORT OF THE DIRECTORS

The board of directors are pleased to present their report and the audited consolidated financial statements of China Great Wall AMC (International) Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are money lending, property investment and financial assets investment. The principal activities and other particulars of the subsidiaries set out in note 13 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

BUSINESS REVIEW

The Company is a wholly-owned subsidiary of China Great Wall Asset Management Co., Ltd. in the financial year and therefore, according to section 388(3)(b) of Hong Kong Companies Ordinance, it is exempted to prepare a business review as required by the Schedule 5 of the Hong Kong Company Ordinance (Cap. 622) for the financial year.

RESULTS

The results of the Group for the year ended 31 December 2018 and the Group's financial position at that date are set out in the Group's consolidated financial statement on pages 7 to 9.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and the statement of changes in equity of the Company on pages 10 and 83, respectively.

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the consolidated financial statements. There was no movement in the Company's share capital during the year.

DIRECTORS

The directors during the year and up to the date of this report are:

Chen Liangsheng	
Huang Hu	
Xu Yongle	
Chen Zenan	(appointed on 18 January 2018)
Bai Jing	(appointed on 13 December 2018)
Xue Jian	(resigned on 18 January 2018)
Ou Peng	(resigned on 1 February 2019)

In accordance with article 7 of the Company's Articles of Association, all remaining directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2018, none of the directors nor their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation.

PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, any permitted indemnity provision that meets the requirements specified in section 469(2) of the Company Ordinance for the benefit of any of the directors or any associated company is or was in force.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance, to which the Company's holding companies, fellow subsidiaries, joint venture, associate or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chen Zehan
DIRECTOR
19 JUN 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF CHINA GREAT WALL
AMC (INTERNATIONAL) HOLDINGS COMPANY LIMITED
中國長城資產(國際)控股有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Great Wall AMC (International) Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 7 to 83, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

TO THE SOLE MEMBER OF CHINA GREAT WALL
AMC (INTERNATIONAL) HOLDINGS COMPANY LIMITED - continued
中國長城資產(國際)控股有限公司
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 JUN 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$	2017 HK$
Revenue			
Commission and fee income		67,716,378	97,893,033
Interest income	5	648,725,374	315,101,226
Investment income	6	1,002,838,366	1,169,741,462
Rental income		95,521,663	63,901,764
		1,814,801,781	1,646,637,485
Other income and gains or losses	7	497,344,801	411,433,584
Depreciation	11	(3,242,551)	(2,899,947)
Employee benefit expenses	8	(130,231,310)	(145,678,047)
Impairment loss of impairment loss on financial assets, net of reversal		(376,638,759)	(476,799,043)
Impairment loss on fixed assets	11	(191,217)	-
Other operating expenses		(135,835,333)	(186,257,630)
Finance cost	9	(1,153,685,420)	(808,384,005)
Share of results of investments accounted for using the equity method	14	297,121,500	3,955,563
Profit before taxation	9	809,443,492	442,007,960
Taxation expense	10	(55,166,662)	(36,956,300)
Profit for the year		754,276,830	405,051,660
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Fair value change in equity instruments at fair value through other comprehensive income		(629,235,722)	-
Items that may be reclassified subsequently to profit or loss:			
Fair value change in available-for-sale financial assets		-	43,786,633
Fair value change in debt instruments at fair value through other comprehensive income		(440,006,732)	-
Exchange differences arising on translating a foreign operation		(12,489,165)	31,320,583
Reclassification adjustments relating to disposal of available-for-sale financial assets during the year		-	(59,280,522)
Reclassification adjustments relating to disposal of debt instruments at fair value through other comprehensive income during the year		11,458,773	-
Impairment loss on available-for-sale financial assets	15	-	398,131,000
Impairment loss on debt instruments at fair value through other comprehensive income	26	12,952,793	-
Total comprehensive (expense) income for the year		(303,043,223)	819,009,354
Profit for the year attributable to			
Owners of the Company		601,671,088	335,670,622
Non-controlling interests		152,605,742	69,381,038
		754,276,830	405,051,660
Total comprehensive (expense) income attributable to			
Owners of the Company		(455,648,965)	749,628,316
Non-controlling interests		152,605,742	69,381,038
		(303,043,223)	819,009,354

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTES	2018 HK$	2017 HK$
ASSETS			
Non-current assets			
Fixed assets	11	5,886,913	8,277,474
Investment properties	12	3,942,700,000	1,908,400,000
Investments accounted for using the equity method	14	3,427,660,314	7,156,653
Available-for-sale financial assets	15	-	2,498,878,848
Financial assets at fair value through other comprehensive income	19	7,773,076,676	-
Financial assets at fair value through profit or loss	20	4,536,424,809	3,373,921,957
Loans and receivables	16	5,119,532,308	4,542,918,607
Restricted cash		9,198,808	-
Pledged deposits		284,021,439	-
Goodwill	17	372,178,687	372,178,687
Total non-current assets		25,470,679,954	12,711,732,226
Current assets			
Loans and receivables	16	3,639,921,458	4,058,254,501
Prepayments		7,661,613	30,573,991
Amount due from a joint venture	14	5,353,399	5,353,399
Amount due from a fellow subsidiary	18	23,756,183	-
Available-for-sale financial assets	15	-	692,400,306
Financial assets at fair value through profit or loss	20	3,066,550,721	11,306,411,693
Pledged deposits		426,568,098	-
Cash and cash equivalents		5,265,368,000	9,633,370,174
Total current assets		12,435,179,472	25,726,364,064
Total assets		37,905,859,426	38,438,096,290
EQUITY AND LIABILITIES			
Equity			
Share capital	24	358,661,400	358,661,400
Reserves		724,129,013	1,144,838,098
Total equity		1,082,790,413	1,503,499,498
Current liabilities			
Bank and other borrowings	21	9,102,241,198	9,352,683,058
Other payables and accruals	22	480,856,756	461,097,019
Amount due to an associate	14	958,275	1,054,275
Amount due to a fellow subsidiary	18	-	24,958,222
Financial liabilities at fair value through profit or loss	20	22,459,888	4,839,068
Tax liabilities		23,043,284	28,484,855
Total current liabilities		9,629,559,401	9,873,116,497

	NOTES	2018 HK$	2017 HK$
Non-current liabilities			
Bank and other borrowings	21	27,184,623,810	27,052,693,130
Deferred tax liabilities	23	8,885,802	8,787,165
Total non-current liabilities		27,193,509,612	27,061,480,295
Total liabilities		36,823,069,013	36,934,596,792
Total equity and liabilities		37,905,859,426	38,438,096,290

Approved and authorised for issue by the Board of Directors on 19 JUN 2019 and signed on its behalf by the following directors.

Chen Zenan
DIRECTOR

Xu Yongle
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital (Note 24) HK$	Capital reserve (Note a) HK$	Investment revaluation reserve (Note b) HK$	Translation reserve (Note c) HK$	Retained earnings HK$	Other reserve (Note d) HK$	Sub-total HK$	Non-controlling interest HK$	Total HK$
At 1 January 2017	358,661,400	408,258,204	(483,426,808)	(9,678,439)	4,724,432	(1,151,946)	277,386,843	411,771,301	689,158,144
Profit for the year	-	-	-	-	335,670,622	-	335,670,622	69,381,038	405,051,660
Other comprehensive income for the year	-	-	382,637,111	31,320,583	-	-	413,957,694	-	413,957,694
Total comprehensive income for the year	-	-	382,637,111	31,320,583	335,670,622	-	749,628,316	69,381,038	819,009,354
Capital distribution to non-controlling interest	-	-	-	-	-	-	-	(4,668,000)	(4,668,000)
Deemed partial disposal of interest in a subsidiary without loss of control (note 28)	-	-	-	-	-	(138,748)	(138,748)	138,748	-
Deemed partial disposal of interest in a subsidiary without loss of control (note 28)	-	-	-	-	-	(9,704,957)	(9,704,957)	9,704,957	-
At 31 December 2017	358,661,400	408,258,204	(100,789,697)	21,642,144	340,395,054	(10,995,651)	1,017,171,454	486,328,044	1,503,499,498
Impact on initial applicable of HKFRS 9 (note 2)	-	-	119,197,613	-	(230,639,475)	-	(111,441,862)	-	(111,441,862)
At 1 January 2018	358,661,400	408,258,204	18,407,916	21,642,144	109,755,579	(10,995,651)	905,729,592	486,328,044	1,392,057,636
Profit for the year	-	-	-	-	601,671,088	-	601,671,088	152,605,742	754,276,830
Other comprehensive expense for the year	-	-	(1,044,830,888)	(12,489,165)	-	-	(1,057,320,053)	-	(1,057,320,053)
Total comprehensive (expense) income for the year	-	-	(1,044,830,888)	(12,489,165)	601,671,088	-	(455,648,965)	152,605,742	(303,043,223)
Capital distribution to non-controlling interest	-	-	-	-	-	-	-	(6,224,000)	(6,224,000)
At 31 December 2018	358,661,400	408,258,204	(1,026,422,972)	9,152,979	711,426,667	(10,995,651)	450,080,627	632,709,786	1,082,790,413

Notes:

(a) The capital reserve represents the waiver of the amount due to ultimate holding company for the year ended 31 December 2011.

(b) The investment revaluation reserve comprises the cumulative change in the fair value of financial assets at fair value through other comprehensive income/available-for-sale financial assets held at the end of the year.

(c) The translation reserve represents the exchange difference arising from the translation of a foreign operation into the presentation currency of the Group.

(d) Other reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid and received for the acquisition of additional interest, partial disposal of interest without loss of control in a subsidiary, and deemed partial disposal of interest without loss of control in subsidiaries in prior years.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$	2017 HK$
Operating activities			
Profit before taxation		809,443,492	442,007,960
Adjustments for:			
Loan interest expense	9	100,221,748	25,155,264
Bond interest expense	9	1,053,463,672	783,228,741
Depreciation of fixed assets	11	3,242,551	2,899,947
Realised gain on the call option	28	(1,513,351)	-
Net losses (gain) on financial assets/liabilities at fair value through profit or loss	6	93,862,276	(466,427,199)
Change in fair value of investment properties	7	(424,560,691)	(223,066,105)
Impairment loss on financial assets, net of reversal	9	376,638,759	476,799,043
Impairment loss on fixed assets	11	191,217	-
Bank interest income	7	(90,941,311)	(106,509,342)
Loan interest income	5	(648,725,374)	(315,101,226)
Interest income from debt securities	6	(1,012,976,423)	(557,734,087)
Dividend income	6	(95,182,992)	(86,299,654)
Rental income from investment properties		(95,521,663)	(63,901,764)
Share of results of investments accounted for using equity method	14	(297,121,500)	(3,955,563)
Operating cash flows before movements in working capital		(229,479,590)	(92,903,985)
Increase in loans and receivables		(410,018,686)	(6,436,948,770)
Increase (decrease) in prepayments		22,912,378	(17,703,967)
(Increase) decrease in amount due from fellow subsidiary		(23,756,183)	3,719,690
Increase in amount due from joint venture		-	(5,544,009)
Increase in other payables and accruals		10,830,733	99,102,490
Decrease in amount due to an associate		(96,000)	(1,173,000)
(Decrease) increase in amount due to a fellow subsidiary		(24,958,222)	4,686,959
Cash used in operations		(654,565,570)	(6,446,764,592)
Income tax paid		(60,509,596)	(23,961,197)
Bank interest income received		90,941,311	102,489,675
Loan interest received		613,466,201	188,741,244
Net cash used in operating activities		(10,667,654)	(6,179,494,870)

	NOTES	2018 HK$	2017 HK$
Investing activities			
Dividend income received from listed securities		95,182,992	86,299,654
Interest received from debt securities		861,649,835	375,165,609
Rental income received from investment properties		95,521,663	63,901,764
Net change in financial assets/liabilities at fair value through profit or loss		2,278,965,001	(8,718,205,336)
Net change in available-for-sale financial assets		-	885,799,216
Net change in financial assets at fair value through other comprehensive income		(917,429,540)	-
Purchase of fixed assets	11	(1,019,470)	(5,665,175)
Addition of investment properties	12	(818,389)	-
Placement of pledged bank deposits	26	(805,830,632)	-
Placement of restricted cash		(9,198,808)	-
Loan to associate	14	(3,123,382,161)	-
Acquisition of subsidiary	28	(714,318,915)	-
Net cash used in investing activities		(2,240,679,424)	(7,312,704,268)
Financing activities			
Proceeds from issuance of bonds	27	4,625,130,202	15,452,414,349
New bank loans raised	27	2,478,792,000	1,425,903,900
Repayment of bank loans	27	(337,753,700)	(20,000,000)
Repayment of issued bond	27	(7,780,000,000)	(3,890,000,000)
Loan interest paid	27	(100,221,748)	(25,027,583)
Bond interest paid	27	(986,115,000)	(577,665,000)
Distribution of profit to limited partnership		(6,224,000)	(4,668,000)
Net cash (used in) generated from financing activities		(2,106,392,246)	12,360,957,666
Net (decrease) increase in cash and cash equivalents		(4,357,738,324)	(1,131,241,472)
Effect of changes in foreign exchange rate		(10,263,850)	139,237,975
Cash and cash equivalents at beginning of the year		9,633,370,174	10,625,373,671
Cash and cash equivalents at end of the year		5,265,368,000	9,633,370,174
Analysis of balances of cash and cash equivalents			
Cash and bank equivalents		5,265,368,000	9,633,370,174

1. GENERAL

China Great Wall AMC (International) Holdings Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. Its immediate holding company and ultimate holding company is China Great Wall Asset Management Co., Ltd. (formerly known as "China Great Wall Asset Management Corporation"), which is incorporated in the People's Republic of China (the "PRC"). The address of its registered office and principal place of business is Units 03, 05-06, 65/F., The Center, 99 Queen's Road Central, Hong Kong.

The principal activities of the Company are money lending, property investment and financial assets investment. The principal activities and other particulars of the subsidiaries are set out in note 13 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatory effective for current year

The Group has applied the following new and amendments to HKFRSs and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in current year.

HKFRS 9	Financial Instrument
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the amendments to HKFRSs and interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. The management considered these is no significant impact on the amount and timing of recognition of the revenue mentioned below.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Commission and fee income
- Interest income
- Investment income
- Rental income

Information about the Group's accounting policies and the performance obligations resulting from application of HKFRS 15 are disclosed in note 3 respectively.

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 "Financial Instruments" - continued

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

		Effect arising from initial application of HKFRS 9			
	Closing balance at 31 December 2017 HK$	Available-for-sale investments ("AFS") HK$ Note (a)	Financial asset at fair value through profit or loss ("FVTPL") HK$ Note (b)	Remeasurement of impairment under ECL model HK$ Note (c)	Opening balance at 1 January 2018 HK$
Assets					
Available-for-sale financial assets	3,191,279,154	(3,191,279,154)	-	-	-
Financial assets at fair value through profit or loss under HKAS 39	14,680,333,650	-	(14,680,333,650)	-	-
Financial assets mandatorily measured at fair value through profit or loss	-	2,108,121,921	7,850,060,066	-	9,958,181,987
Equity instruments at fair value through other comprehensive income	-	933,781,233	1,602,111,006	-	2,535,892,239
Debt instruments at fair value through other comprehensive income	-	149,376,000	5,228,162,578	-	5,377,538,578
Loans and receivable	8,601,173,108	-	-	(111,441,862)	8,489,731,246
Equity					
Investment revaluation reserve	(100,789,697)	61,452,644	-	57,744,969	18,407,916
Retained earnings	340,395,054	(61,452,644)	-	(169,186,831)	109,755,579

(a) Available-for-sale ("AFS") financial assets

From AFS financial assets to FVTPL

At the date of initial application of HKFRS 9, certain of the Group's listed and unlisted investments of HK$2,108,121,921 were reclassified from available-for-sale financial assets to financial assets at FVTPL. The net fair value loss of HK$61,452,644 relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits.

From AFS equity investments to FVTOCI

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of an equity investment of HK$37,343,922 previously classified as available-for-sale under HKAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$933,781,233 were reclassified from available-for-sale financial assets to equity instruments at FVTOCI.

From AFS debt investments to FVTOCI

Listed bonds with a fair value of HK$149,376,000 were reclassified from available-for-sale financial assets to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value losses of HK$1,993,131 continued to accumulate in the revaluation reserve as at 1 January 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 "Financial Instruments" - continued

Summary of effects arising from initial application of HKFRS 9 - continued

(b) Financial assets at FVTPL

From equity investments at FVTPL to FVTOCI

The Group has reassessed its investments in listed equity securities classified as financial assets at FVTPL under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$1,602,111,006 of the Group's investments were no longer held for trading and the Group elect to designate the equity securities as FVTOCI.

From debt investments at FVTPL to FVTOCI

Listed bonds with a fair value of HK$5,228,162,578 were reclassified from financial assets at FVTPL to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding.

(c) Impairment under ECL model

For loans and advances and debt instruments at FVTOCI, ECL are measured as an allowance equal to 12-month ECL ("12m ECL") for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition, and it moves to stage 3 when it is credit impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

As at 1 January 2018, the additional credit loss allowance of HK$111,441,862 has been recognised against retained profits and non-controlling interests. The additional loss allowance is charged against the respective asset.

Based on the assessment performed on the date of initial application of HKFRS 9, the directors of the Company considered that the additional credit allowances in relation to the amounts due from fellow subsidiaries, amount due from a related company, loans to associates, loans to fellow subsidiaries, pledged bank deposits, restricted bank balances, deposit with financial institutions, bank balances and cash are insignificant to the financial performance and position of the Group and therefore no additional allowance was recognised on the grounds of materiality in respect of these assets.

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 31 December 2017 to the new impairment allowance measured with HKFRS 9 (under ECL model) at 1 January 2018:

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 "Financial Instruments" - continued

Summary of effects arising from initial application of HKFRS 9 - continued

(c) Impairment under ECL model - continued

	Impairment allowance under HKAS 39 at 31 December 2017 HK$	Impairment allowance under re-measurement HK$	Allowance under HKFRS 9 at 1 January 2018 HK$
Loans and receivables	78,668,043	111,441,862	190,109,905
Financial assets at FVTOCI	-	57,744,969	57,744,969
Total	78,668,043	169,186,831	247,854,874

New and amendments to HKFRSs and interpretation in issue but not yet effective

The Group has not early applied the following new standards and amendments and interpretation to standards ("new and revised HKFRSs") that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$45,213,129 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 16 Leases - continued

In addition, the Group currently considers refundable rental deposits paid of approximately HK$7,622,000 and refundable rental deposits received of approximately HK$10,636,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company have been prepared on a going concern basis. As reflected in the statement of financial position of the Company, the Company has a net liability of HK$442,765,094 for the year ended 31 December 2018. Liabilities of HK$32,054,960,719 are due to wholly owned subsidiaries and will not be due for repayment for a period of at least twelve months from the date when the board of directors of the Company approve the financial statements of the Company, except for an amount of HK$5,446,000,000 which will be due on 26 October 2019. The Company has adequate liquid assets as in necessary to enable the Company to meet in full its financial obligations for a further period of at least twelve months from the date when the board of directors of the Company approve the financial statements of the Company.

The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for measurements that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiaries.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Changes in the Group's ownership interests in existing subsidiaries - continued

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39/HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share- based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations - continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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 provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating unit in which the Group monitor goodwill).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investment in an associate and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment in an associate and joint venture - continued

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or a joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or a joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate or a joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Consultancy, financial advisory and handling service fee, included in the "commission and fee income" line item, are recognised at a point in time when the underlying transaction are executed and services are completed.

Management fee income, included in the "commission and fee income" line item, is recognised over time as the Group provides management services and the customer's simultaneously receives and consumes the benefit, provided by the Group. The management income is charged at a fixed fee per annum.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for service provided in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income on listed securities are recognised in profit or loss when the Group's right to receive the dividend and distribution from investment is established.

Realised gains or losses from available-for-sale financial assets, financial assets at fair value through profit or loss, financial assets designated at fair value through profit or loss and financial liabilities at fair value through profit or loss are recognised on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses are recognised from valuation in accordance with the accounting policies for financial instruments.

Consultancy and advisory fee income, handling and management fees income, included in the "commission and fee income" line item, are recognised when the respective services are rendered.

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms.

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 at or within three months when acquired, 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, which are not restricted as to use.

Restricted cash are bank deposits as collateral of bank loans with an original maturity of more than one year from the date of investment and which do not meet the definition of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Fixed assets

Fixed assets including leasehold properties held for use in the provision of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing - continued

The Group as lessor - continued

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under value model, such cost are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing - continued

Leasehold land and building - continued

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as fixed assets.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combinations to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) - continued

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses. Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) - continued

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net (losses) gains on financial assets/liabilities at fair value through profit or loss" line item.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including financial assets at fair value through profit or loss, loans and receivables, restricted cash, amount due from a joint venture and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the counterparties, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) - continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) - continued

(i) Significant increase in credit risk - continued

For loan commitment, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers the event of default occurs when the information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

In respective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) - continued

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Where ECL is measured on a collective basis, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) - continued

(v) Measurement and recognition of ECL - continued

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loans and receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments in the consolidated statement of financial position.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial is (i) held for trading, (ii) it is designed as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Financial assets at FVTPL - continued

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'revenue' line item.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in consolidated statement of profit or loss and other comprehensive income when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans to customers, other receivables, amount due from a fellow subsidiary, amount due from a joint venture and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at financial assets at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Financial assets, including loans and receivables, amount due from a fellow subsidiary and amount due from a joint venture etc., are assessed for indicators of impairment at the end of each reporting period. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) - continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances, where the carrying amount is reduced through the use of an allowance account. Change in the carrying amount of the allowance account are recognised in profit or loss. When any loan or advance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Derecognition of financial assets - continued

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Prior to application of HKFRS 9 on 1 January 2018 financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest expense on the financial liabilities and is included in the "net (losses) gains on financial assets/liabilities at fair value through profit or loss".

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities - continued

Financial liabilities at amortised cost

Financial liabilities including bank and other borrowings and other payables and accruals, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Retirement benefit costs

Payments to the Mandatory Provident Fund scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

The valuation of investment properties is performed in accordance with the "Valuation Standards on Valuation of Properties" published by the Hong Kong Institute of Surveyors. The valuation is reviewed by semi-annually by qualified valuers by considering the information from a variety of sources including but not limited to:

(i) Comparable sales transactions as available in the relevant market; and
(ii) Rental income derived from the existing tenancies with due provision for any reversionary income potential.

The fair value of investment properties are determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 12.

Changes to the assumptions used in deriving the valuation could have a significant risk of causing material adjustment to the carrying amounts in the consolidated statement of financial position.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 December 2018, the carrying amount of goodwill is HK$372,178,687 (31 December 2017: HK$372,178,687).

Impairment of financial assets at amortised cost and financial assets at FVTOCI

The directors of the Company estimate the amount of loss allowance for ECL on financial assets at amortised cost and financial assets at FVTOCI based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk and therefore expected cash flows of the respective financial instrument, in particular credit impaired financial assets, involves a high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. The information about the ECL and the financial assets at amortised cost and financial assets at FVTOCI are disclosed in respective notes to the financial statements.

Loss Given Default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, transaction volume of the secured assets and seniority of claim. For unsecured loans, the calculation of LGD includes the judgments in determining the proportion of loan recovered after default and the duration of recovery.

Relevant information with regard to the exposure of credit risk and expected credit losses are set out in respective notes to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Fair value measurement of financial instruments

The Group selects appropriate valuation techniques for financial instruments which are classified as 3 investments in accordance with the Group's significant accounting policies as disclosed in note 3 to the consolidated financial statements. In determining the fair value of the financial assets, the Group uses valuation technique for financial instruments which are not quoted in an active market. However, areas such as credit risk of the Group and counterparties, volatilities and correlations required management to make estimates. Changes in assumption about these factors could affect the estimate fair value of the financial instruments. Note 26 to the consolidated financial statements provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

5. INTEREST INCOME

	2018 HK$	2017 HK$
Loan interest income	648,725,374	315,101,226

6. INVESTMENT INCOME

	2018 HK$	2017 HK$
Net (loss) gain on financial assets/liabilities at fair value through profit or loss	(93,862,276)	466,427,199
Net loss on disposal of financial assets at fair value through other comprehensive income	(11,458,773)	-
Net gain on disposal of available-for-sale financial asset	-	59,280,522
Interest income from debt instruments	1,012,976,423	557,734,087
Dividend income	95,182,992	86,299,654
	1,002,838,366	1,169,741,462

7. OTHER INCOME AND GAINS OR LOSSES

	2018 HK$	2017 HK$
Bank interest income	90,941,311	106,509,342
Sundry income	3,538,524	89,483
Net foreign exchange (loss) gain	(21,695,725)	81,768,654
Net change in fair value of investment properties (note 12)	424,560,691	223,066,105
	497,344,801	411,433,584

8. EMPLOYEE BENEFIT EXPENSES

	2018 HK$	2017 HK$
Employee benefit expenses (including directors' emoluments (note 9)):		
- salaries, allowances and other benefits	91,114,786	71,719,391
- discretionary bonuses	34,677,104	70,575,475
- contributions to pension plans	3,475,292	3,019,010
- staff welfare	964,128	364,171
	130,231,310	145,678,047

9. PROFIT BEFORE TAXATION

	2018 HK$	2017 HK$
The Group's profit before taxation is arrived at after charging:		
Auditor's remuneration		
- current year	948,293	642,895
Loan interest expense	100,221,748	25,155,264
Bond interest expenses	1,053,463,672	783,228,741
	1,153,685,420	808,384,005
Impairment loss on financial assets, net of reversal (note 26)	376,638,759	476,799,043
Impairment loss on fixed assets (note 11)	191,217	-
Directors' emoluments (note)		
- salaries, allowances and other benefits	1,821,577	1,113,539
- discretionary bonuses	2,449,993	1,536,870
- contributions to pension plans	31,500	18,000
	4,303,070	2,668,409

Note: The directors' emoluments are disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation under Cap. 622(G).

10. TAXATION EXPENSE

Taxation expense in the consolidated statement of profit or loss and comprehensive income of the Group represents:

	2018 HK$	2017 HK$
Hong Kong Profits Tax		
Charges for the year	32,443,937	19,291,997
Underprovision in prior year	-	71,504
Deferred tax expenses (note 23)	98,637	239,799
PRC corporate income tax		
Charges for the year	22,624,088	17,353,000
	55,166,662	36,956,300

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK$	2017 HK$
Profit before taxation	809,443,492	442,007,960
Tax at the applicable tax rate of 16.5%	133,558,176	72,931,313
Tax effect of expenses that are not deductible	111,483,115	82,604,288
Tax effect of income that are not taxable	(200,932,934)	(99,333,182)
Effect on different tax rate of operations in other jurisdiction	7,692,190	5,723,020
Underprovision in respect of prior year	-	71,504
Tax effect of unrecognised tax losses	3,373,404	-
Recognition of previously unrecognised tax loss	(7,289)	(25,040,643)
Tax expense	55,166,662	36,956,300

At the end of the reporting period, the Group has unused tax losses of HK$740.0 million (2017: HK$719.7 million) to carry forward against future profits. A deferred tax asset has been recognised in respect of HK$27.8 million (2017: HK$368.0 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$712.2 million (2017: HK$351.7 million) due to the unpredictability of future profit streams.

11. FIXED ASSETS

	Leasehold improvement HK$	Office equipment HK$	Furniture and fixtures HK$	Computer equipment HK$	Motor vehicles HK$	Total HK$
COST						
At 1 January 2017	1,986,181	2,879,594	5,188,143	2,157,947	1,147,870	13,359,735
Addition	3,504,291	1,542,743	614,300	3,841	-	5,665,175
Exchange difference	-	2,482	-	2,770	-	5,252
At 31 December 2017	5,490,472	4,424,819	5,802,443	2,164,558	1,147,870	19,030,162
Disposal	(1,027)	-	-	-	-	(1,027)
Acquisition of subsidiary	-	14,330	-	16,009	-	30,339
Impairment	(768,173)	(548,415)	(100,735)	-	-	(1,417,323)
Addition	80,300	169,723	52,283	-	717,164	1,019,470
Exchange difference	-	(3,123)	-	(1,970)	-	(5,093)
At 31 December 2018	4,801,572	4,057,334	5,753,991	2,178,597	1,865,034	18,656,528
ACCUMULATED DEPRECIATION						
At 1 January 2017	(516,576)	(1,655,007)	(2,914,819)	(2,118,623)	(646,137)	(7,851,162)
Charges for the year	(1,276,032)	(482,765)	(1,003,906)	(23,644)	(113,600)	(2,899,947)
Exchange difference	-	(527)	-	(1,052)	-	(1,579)
At 31 December 2017	(1,792,608)	(2,138,299)	(3,918,725)	(2,143,319)	(759,737)	(10,752,688)
Charges for the year	(1,529,832)	(683,836)	(864,274)	(15,151)	(149,458)	(3,242,551)
Disposal	1,027	-	-	-	-	1,027
Acquisition of subsidiary	-	(699)	-	(1,290)	-	(1,989)
Impairment	328,790	813,339	83,977	-	-	1,226,106
Exchange difference	-	(980)	-	1,460	-	480
At 31 December 2018	(2,992,623)	(2,010,475)	(4,699,022)	(2,158,300)	(909,195)	(12,769,615)
NET BOOK VALUE						
At 31 December 2018	1,808,949	2,046,859	1,054,969	20,297	955,839	5,886,913
At 31 December 2017	3,697,864	2,286,520	1,883,718	21,239	388,133	8,277,474

The above items of fixed assets are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	10% to 20% or over the remaining lease term
Office equipment	10% to 20%
Furniture and fixtures	10% to 20%
Computer equipment	25%
Motor vehicles	10% to 20%

12. INVESTMENT PROPERTIES

	HK$
FAIR VALUE	
At 1 January 2017	1,685,333,895
Net increase in fair value recognised in consolidated statement of profit or loss and other comprehensive income (note 7)	223,066,105
At 31 December 2017	1,908,400,000
Addition	818,389
Acquisition of subsidiary	1,608,920,920
Net increase in fair value recognised in consolidated statement of profit or loss and other comprehensive income (note 7)	424,560,691
At 31 December 2018	3,942,700,000

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2018 and 2017 has been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited ("AAL"), Cushman & Wakefield Limited ("DTZ") and Savills Valuation and Professional Services Limited ("Savills"), independent qualified professional valuers not connected to the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair values of the Group's investment properties are categorised as Level 3 measurement in the three-level fair value hierarchy. During the year, there were no transfers between different levels within the fair value hierarchy.

The fair value of investment property located in Hong Kong is determined using income capitalisation approach. Income capitalisation approach capitalise the net income from existing tenancies with due allowance for reversionary income potential at appropriate capitalisation rates for individual properties.

Description	Fair value at 31 December 2018	Fair value at 31 December 2017	Valuation technique	Fair value hierarchy	Range of significant unobservable inputs	Valuation perform by
Commercial unit located in HK	HK$119,300,000	HK$96,800,000	Income capitalisation	3	Capitalisation rate of 2.30%	AAL
Residential units located in HK	HK$31,600,000	HK$30,100,000	Income capitalisation	3	Capitalisation rate of 2.3%-2.4%	AAL
Commercial and carpark units located in HK	HK$1,186,000,000	HK$999,000,000	Income capitalization	3	Capitalization rate of 2.50%	DTZ
Industrial units located in HK	HK$345,800,000	HK$302,500,000	Income capitalisation	3	Capitalization rate of 3.125% and 3.75%	DTZ
Retail, office and advertising board units located in HK	HK$580,000,000	HK$480,000,000	Income capitalisation	3	Capitalization rate of 3.5% and 3.25%	DTZ
Retail shop, fresh Market and carpark units located in HK	HK$1,680,000,000	-	Income capitalisation	3	Capitalization rate of 3.5%, 3.75% and 3.65%	Savills

13. INTEREST IN SUBSIDIARIES

	2018 HK$	2017 HK$
Unlisted shares at cost	233,793,079	233,789,150

Particulars of the principle subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation and operation	Particular of issued and paid up share capital 2018	2017	Equity interest held by the Group and the Company 2018	2017	Proportion of voting right held by the Group and the Company 2018	2017	Principal activities
Evergreat Prosper Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
深圳長城環亞國際融資租賃有限公司	People's Republic of China	US$30,000,000	US$30,000,000	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
China Great Wall International Holdings Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Issue bonds listed in Hong Kong
China Great Wall International Holdings II Limited	The British Virgin Islands	US$0.01	US$0.01	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Issue bonds listed in Hong Kong
Great Wall International Clean Energy Investment Holding Company Limited	Hong Kong	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall Pan Asia International Holdings Limited	Hong Kong	HKD1	HKD1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
China Great Wall International Holdings III Limited	The British Virgin Islands	US$0.01	US$0.01	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Issue bonds listed in Hong Kong
China Great Wall International Holdings IV Limited	The British Virgin Islands	US$500	-	100% (directly)	-	100% (directly)	-	Issue bonds listed in Hong Kong
Great Wall Pan Asia (BVI) Holding Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall Pan Asia International Asset Management (Cayman) Limited	The Cayman Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Asset management
Great Wall International Investment III Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment IV Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment V Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment VI Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment VII Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment VIII Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment IX Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment X Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XI Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XV Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XVI Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XVII Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding
Great Wall International Investment XIX Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding
Great Wall International Investment XX Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding

13. INTEREST IN SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation and operation	Particular of issued and paid up share capital 2018	2017	Equity interest held by the Group and the Company 2018	2017	Proportion of voting right held by the Group and the Company 2018	2017	Principal activities
Great Wall International Investment XXI Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding
Great Wall International Investment XXII Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding
Great Wall Guorun Investment Company Limited	The Cayman Islands	US$50,000	US$50,000	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall Property Investment Fund Limited Partnership	The Cayman Islands	US$41,398,114	US$41,398,114	80.54% (indirectly)	80.54% (indirectly)	100% (indirectly)	100% (indirectly)	Investment holding
長城環亞(深圳)國際投資有限公司	People's Republic of China	US$100,000,000	US$100,000,000	100% (indirectly)	100% (indirectly)	100% (indirectly)	100% (indirectly)	Financial Advisory
Great Wall Pan Asia Holdings Limited (Formerly known as Armada Holdings Limited)	Hong Kong	HK$156,774,560	HK$156,774,560	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Investment holding
Great Wall Pan Asia Asset Management Limited (formerly known as Great Wall Pan Asia International Asset Management Limited)	Hong Kong	HK$25,560,000	HK$25,560,000	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Conduct regulated activities of advising on securities and assets management
Great Wall Pan Asia Corporate Finance Limited (formerly known as Great Wall International Corporate Finance Limited)	Hong Kong	HK$5,000,000	HK$5,000,000	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Conduct regulated activities of advising on corporate finance
Nanchao Investments Limited	The British Virgin Islands	HK$2	HK$2	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Investment holding and share investments
Nanchao Yau Tong Limited	The British Virgin Islands	US$1	US$1	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Macheer Properties limited	The British Virgin Islands	US$1	US$1	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Sunny Success Development Limited	Hong Kong	HK$2	HK$2	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Sunny Bright Development Limited	Hong Kong	HK$2	HK$2	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Lyton Investment Limited	The Commonwealth of the Bahamas	US$2	US$2	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Ray Glory Limited	Hong Kong	HK$1	-	74.89% (indirectly)	-	74.89% (indirectly)	-	Property holding
GWPA Property I Holding Limited	The British Virgin Islands	US$1	-	74.89% (indirectly)	-	74.89% (indirectly)	-	Investment holding
Patral Hell 12 Limited	The British Virgin Islands	HK$8	-	74.89% (indirectly)	-	74.89% (indirectly)	-	Property holding

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2018 HK$	2017 HK$
Associate:			
Cost of unlisted investment in associates		3,126,704,543	3,322,382
Share of post-acquisition profit (losses), net of dividend received		279,001,676	(715,928)
	14(a)	3,405,706,219	2,606,454
Amount due to an associate		958,275	1,054,275
Share of results of investment in associates		279,717,604	(404,026)
Joint ventures:			
Cost of unlisted investment in a joint venture		190,610	190,610
Share of post-acquisition profit, net of dividend received		21,763,485	4,359,589
	14(b)	21,954,095	4,550,199
Amount due from a joint venture		5,353,399	5,353,399
Share of results of investment a joint venture		17,403,896	4,359,589

Details of principal investments accounted for using the equity method are:

Name of entity	Country of incorporation	Interests held by the Group As at 31 December 2018	As at 31 December 2017	Principal activity
Associate				
Everwell City Limited (note i)	*The British Virgin Islands*	*22.4% (indirect)*	-	*Properties holding*
Dymocks Franchise Systems (China) Limited (note ii)	*Hong Kong*	*33.7% (indirect)*	*33.7% (indirect)*	*Bookshop operation*
Joint venture				
Great Wall WL Ross (Cayman) Investment Co., Ltd. (note iii)	*Hong Kong*	*49%*	*49%*	*Investment management*

Notes:

(i) On 28 November 2017, GWPA Property I Holding Limited ("GWPA Property"), a subsidiary which the Group holds 74.89%, entered into the shareholders agreement (which was amended and restated on 15 February 2018 and 12 April 2018 respectively) with other investors regarding the formation of a joint venture, Everwell City Limited ("Everwell City"), of which GWPA Property agreed to subscribe for 29.9% of class A ordinary shares of Everwell City. Everwell City had participated into a bidding for and won the bid for the purchase of a portfolio of assets comprising 17 diversified commercial properties and shopping centers, retail shops and carparks across Hong Kong (the "Portfolio Assets").

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - continued

Notes: - continued

(i) - continued

Under the said shareholders agreement, GWPA Property also agreed to provide an interest-free advance of not more than HK$743,000,000 to Everwell City in consideration of the grant of a call option which entitled GWPA Property to purchase the relevant subsidiary of the joint venture group which indirectly holds the Portfolio Assets, and the actual amount of such interest-free advance provided to Everwell City by GWPA Property was HK$725,051,488.

The Group's capital contribution to Everwell City was completed on 22 February 2018 and the actual contribution paid to Everwell City by GWPA Property was HK$3,123,382,161. The purchase of the Portfolio Assets by Everwell City was completed on 28 February 2018.

During the year, the Company exercised the call option in May 2018 and completed the acquisition of Patrol Hall 12 Limited and its subsidiary, the major asset of which is Kwai Fong Plaza. Please refer to Notes 28 and 14(a) for details of the acquisition of subsidiaries from Everwell City.

On 12 April 2018, one of the existing shareholders of Everwell City had syndicated a portion of its interests to a new investor. Due to regulatory reasons, the new investor had to directly acquire a stake in each underlying Hong Kong subsidiaries of Everwell City and as such, the GWPA Property's interests in such Hong Kong subsidiaries had been diluted. To facilitate the new investor's acquisition, the GWPA Property's shareholding percentage in Everwell City had been adjusted accordingly and the GWPA Property's interest in Everwell City had been increased to 35.78% so as to maintain the GWPA Property's effective economic interests in the relevant Hong Kong subsidiaries and underlying assets at approximately 29.9% following the acquisition.

Notwithstanding such adjustment, the proportionate voting rights of the existing shareholders of Everwell City remain the same.

(ii) Great Wall Pan Asia Holdings Limited, a subsidiary which the Group holds 74.89% equity interest holds 45% of the issued share capital of Dymocks Franchise Systems (China) Limited, thus the Group hold 33.70% effective ownership in Dymocks Franchise Systems (China) Limited.

(iii) In October 2017, the Group invested 49% of interest in Great Wall WL Ross (Cayman) Investment Co., Ltd. for a consideration of USD24,500 (equivalent to HK$190,610) and accounted for the investment in a joint venture.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - continued

(a) Reconciliation of financial information for the material associate:

Set out below is the summarised financial information for Everwell City as at 31 December 2018, which is accounted for using the equity method. In the opinion of the Directors, Everwell City is material to the Group.

	2018 HK$
Non-current asset	24,316,854,926
Current assets	277,003,118
Current liabilities	(224,885,397)
Non-current liabilities	(23,432,141,731)
Net assets	936,830,916
Non-controlling interest	(153,940,320)
Net assets attributable to owners of the associate	782,890,596
Proportion of subsidiary's ownership (note i)	35.78%
The Group's share of net assets of Everwell City Limited	280,118,255
Shareholders loan to Everwell City Limited	3,123,382,161
Carrying amount of the Group's interest in Everwell City Limited	3,403,500,416

(i) The share of profits from Everwell City consisted of:

1. Share of profits of 29.9% from 22 February 2018 to 11 April 2018;
2. Share of profits of 35.78% from 12 April 2018 to 31 December 2018,

However, the effective share of profits of the Group from the Portfolio Assets of Everwell City remains at approximately 29.9% notwithstanding such increase in shareholding.

(b) Reconciliation of financial information of the material joint venture:

	2018 HK$	2017 HK$
Joint venture:		
Current assets	58,008,944	17,761,920
Non-current assets	2,994,908	2,994,908
Current liabilities	(16,199,577)	(11,470,707)
Net assets	44,804,275	9,286,121
Proportion of subsidiary's ownership	49%	49%
Carrying amount of the Group's interest	21,954,095	4,550,199

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$
Investments at fair value	
Equity securities listed in Hong Kong (note)	1,423,534,420
Debt securities listed in Hong Kong	113,490,750
Debt securities listed outside Hong Kong	35,885,250
Unit funds	783,230,140
Unlisted investments	835,138,594
	3,191,279,154
Classified as:	
Current assets	692,400,306
Non-current assets	2,498,878,848
	3,191,279,154

Note: During the year ended 31 December 2017, there was a significant decline in the market value of a listed equity instruments. The directors consider that such a decline indicates that the listed equity instruments have been a prolonged and significant decline and an impairment loss of HK$398,131,000, which was reclassified from other comprehensive income, has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

16. LOANS AND RECEIVABLES

	2018 HK$	2017 HK$
Loans to customers	8,402,925,376	6,972,909,661
Less: Impairment allowance on loans to customers (note a)	(441,136,386)	(78,668,043)
Loans to customers, net of impairment (note b)	7,961,788,990	6,894,241,618
Other receivables	801,074,031	253,095,421
Less: Impairment other receivables	(17,418,390)	-
Other receivables, net of impairment	783,655,641	253,095,421
Account receivables	2,023,973	7,439,270
Rental and utilities deposit	11,985,162	10,729,268
Deposit for investment in joint venture (note c)	-	1,435,667,531
	8,759,453,766	8,601,173,108
Classified as:		
Current assets	3,639,921,458	4,058,254,501
Non-current assets	5,119,532,308	4,542,918,607
	8,759,453,766	8,601,173,108

16. LOANS AND RECEIVABLES - continued

Notes:

(a) Movement in the impairment allowance of loan and other receivable is as follows:

	2017 HK$
Balance at the beginning of the year	-
Impairment loss recognised on loan to customers	78,668,043
Reversal of impairment loss on loan to customers	-
Balance at the end of the year	78,668,043

At the end of each reporting period, the Group reviews loan to customers for evidence of impairment on both an individual and a collective basis. As at 31 December 2017, the Group has determined loan to customers of HK$78,668,043 as individually impaired. The impaired loan to customer are due from customers experiencing financial difficulties and were in default or delinquency of payments.

(b) The credit quality of loans to customer are summarised as follows:

	2017 HK$
Neither past due nor impaired	6,598,193,426
Overdue within 90 days, net of impaired	296,048,192
	6,894,241,618

(c) As at 31 December 2017, the balance included mainly deposits of approximately HK$1,435,668,000 paid for investment in a joint venture as detailed in Note 14. On 28 November 2017, GWPA Property entered into the shareholders agreement (which was amended and restated on 15 February 2018 and 12 April 2018 respectively) with other investors regarding the formation of a joint venture, of which GWPA Property agreed to subscribe for 29.9% of class A ordinary shares of the joint venture. The deposits were subsequently accounted for as investment in an associate. For details, please refer to Notes 14 and 28.

Details of impairment assessment of loans and receivables for the year ended 31 December 2018 are set out in note 26.

17. GOODWILL

	2018 HK$	2017 HK$
COST		
At 1 January and 31 December	372,178,687	372,178,687

Impairment testing of goodwill

The recoverable amounts of the cash-generating unit of GWPA have been determined based on a value in use calculation using cash flow projection based on financial budget approved by management covering a five-year period at a discount rate of 16.27% (2017: 14.11%) cost of equity. The cash flows beyond the five-year period are estimated at a 3% (2017: 3%) terminal growth rate. No impairment loss was considered necessary for both years.

18. AMOUNT DUE FROM/TO A FELLOW SUBSIDIARY

Amount due from/to a fellow subsidiary is unsecured, interest free and repayable on demand.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$
Equity instruments at fair value through other comprehensive income	
Listed investments:	
Equity securities listed in Hong Kong (note 1)	1,866,784,373
Unlisted securities:	
Unit funds (note 2)	669,399,059
	2,536,183,432
Debt instruments at fair value through other comprehensive income	
Investments in listed bonds	5,236,893,244
	7,773,076,676

1) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

2) The above unlisted equity investments and unit funds investments represent the Group's equity interest in a private entity established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI.

Details of impairment assessment for debt instruments at fair value through other comprehensive income are set out in note 26.

20. FINANCIAL ASSETS/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$	2017 HK$
ASSETS		
Financial assets mandatorily measured at fair value through profit or loss		
Listed securities held for trading		
- Equity securities		
Listed in Hong Kong	673,727,940	2,349,175,521
Listed outside Hong Kong	119,816,972	-
- Debt securities		
Listed in Hong Kong	149,610,987	4,845,819,423
Listed outside Hong Kong	959,243,606	3,226,990,949
	1,902,399,505	10,421,985,893
Preference share	192,750,766	-
Unit Funds	3,061,536,704	-
Unlisted equity securities	217,544,703	-
Derivative financial asset	5,955,155	-
Convertible bonds	821,468,621	-
Structured loan	1,401,320,076	-
	7,602,975,530	-
Designated at fair value through profit or loss		
Unit fund designated at fair value through profit or loss	-	1,614,723,440
Structured loan designated at fair value through profit or loss	-	1,740,182,018
Convertible bonds	-	903,442,299
	-	4,258,347,757
	7,602,975,530	14,680,333,650
Classified as:		
Current assets	3,066,550,721	11,306,411,693
Non-current assets	4,536,424,809	3,373,921,957
	7,602,975,530	14,680,333,650
LIABILITY		
Listed debt securities held for trading – short position		
Listed in Hong Kong	22,459,888	-
Derivative financial liability	-	4,839,068
	22,459,888	4,839,068

21. BANK AND OTHER BORROWINGS

	2018 HK$	2017 HK$
Bank borrowings - unsecured	4,560,500,376	1,586,763,000
Listed bonds - secured (note a)	31,726,364,632	34,818,613,188
	36,286,865,008	36,405,376,188

The bank borrowings and listed bonds are repayable as follows:

	2018 HK$	2017 HK$
Bank borrowings		
- on demand	3,666,971,550	1,586,763,000
- in the second to fifth years inclusive	893,528,826	-
Bonds repayable		
- within one year	5,435,269,648	7,765,920,058
- in the second to fifth years inclusive	22,438,381,482	23,205,392,899
- over five years	3,852,713,502	3,847,300,231
	36,286,865,008	36,405,376,188

Note:

(a) Bonds totalled US$1,000 million were issued by a wholly owned subsidiary of the Company, China Great Wall International Holdings II Limited, pursuant to the Offering Circular dated 11 June 2015, the bonds, with coupon rate of 2.5% per annum and payable semi-annually, were listed on the Hong Kong Exchanges and Clearing Limited on 18 June 2015. The bonds were repaid on 17 June 2018.

Another bonds totalled US$700 million and US$800 million were issued by a wholly owned subsidiary of the Company, China Great Wall International Holdings III Limited, pursuant to the Offering Circular dated 17 October 2016, the bonds, with coupon rate of 2.25% and 2.625% per annum respectively and both payable semi-annually, were listed on the Hong Kong Exchanges and Clearing Limited on 28 October 2016. The bonds are repayable on 26 October 2019 and 27 October 2021 respectively.

Additional bonds totalled US$500 million, US$1,000 million and US$500 million were issued by a wholly owned subsidiary of the Company, China Great Wall International Holdings III Limited, pursuant to the Offering Circular dated 24 August 2017, the bonds, with coupon rate of 2.625%, 2.75% and 3.875% per annum respectively and both payable semi-annually, were listed on the Hong Kong Exchanges and Clearing Limited on 31 August 2017. The bonds are repayable on 31 August 2020, 31 August 2022 and 31 August 2027 respectively.

Additional bonds totalled US$600 million were issued by a wholly owned subsidiary of the Company, China Great Wall International Holdings III Limited, pursuant to the Offering Circular dated 17 May 2018, the bonds, with coupon rate of 4.375% per annum payable semi-annually, were listed on the Hong Kong Exchanges and Clearing Limited on 25 May 2018. The bonds are repayable on 24 August 2023.

All bonds have benefit of a keepwell deed and a deed of equity interest purchase, investment and liquidity support undertaken by the ultimate holding company.

22. OTHER PAYABLES AND ACCRUALS

	2018 HK$	2017 HK$
Accounts, other payable and accruals	213,199,378	184,390,854
Interest payables	236,836,166	232,108,736
Receipts in advance	20,185,021	32,169,088
Rental deposits received	10,636,191	12,428,341
	480,856,756	461,097,019

All payables are unsecured, non-interest bearing and repayable on demand.

23. DEFERRED TAX LIABILITIES (ASSETS)

The following is the major deferred tax liabilities (assets) recognised and movements thereon during the year.

	Tax loss recognised HK$	Financial assets at FVTPL HK$	Accelerated tax depreciation HK$	Total HK$
At 1 January 2017	-	-	8,547,366	8,547,366
(Credit) charged to consolidated statement of profit or loss and other comprehensive income (note 10)	(60,716,362)	59,981,908	974,253	239,799
At 31 December 2017	(60,716,362)	59,981,908	9,521,619	8,787,165
Charged (credit) to consolidated statement of profit or loss and other comprehensive income (note 10)	56,128,002	(59,981,908)	3,952,543	98,637
At 31 December 2018	(4,588,360)	-	13,474,162	8,885,802

24. SHARE CAPITAL

	Number of shares	Share capital HK$
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	358,661,400	358,661,400

25. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the consolidated financial statements, the Group did not enter into any other material related party transactions with its related parties during the year.

Compensation of key management personnel

Key management personnel of the Company are the directors of the Company only. The remuneration of directors is disclosed in note 8.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial assets

	2018 HK$	2017 HK$
Fair value through profit or loss (FVTPL)		
Mandatorily measured at FVTPL		
- Listed securities held-for-trading (note 20)	1,902,399,505	10,421,985,893
- Preference share (note 20)	192,750,766	-
- Unit Funds (note 20)	3,061,536,704	-
- Unlisted equity securities (note 20)	217,544,703	-
- Derivative financial asset (note 20)	5,955,155	-
- Convertible bonds (note 20)	821,468,621	-
- Structured loan (note 20)	1,401,320,076	-
Designated at FVTPL (note 20)	-	4,258,347,757
Financial assets at amortised cost	14,773,719,693	-
Equity instruments at FVTOCI (note 19)	2,536,183,432	-
Debt instruments at FVTOCI (note 19)	5,236,893,244	-
Loans and receivables (including cash and cash equivalents)	-	18,239,896,681
Available-for-sale investments (note 15)	-	3,191,279,154

Financial liabilities

	2018 HK$	2017 HK$
Fair value through profit or loss (FVTPL)		
Held-for-trading (note 19)	(22,459,888)	-
Derivative financial instruments (note 19)	-	(4,839,068)
Amortised cost	(36,651,150,600)	(36,847,888,275)

The Group's major financial instruments include available-for-sale financial asset, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, loans and receivables, restricted cash, pledged deposit, amount due from a joint venture, cash and cash equivalents, bank and other borrowings, other payables, amount due to an associate, amount due to a fellow subsidiary and financial liabilities at fair value through profit or loss. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate, currency and price risk arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currency at the reporting date are as follows:

(in HK$ equivalent)

	2018			2017		
	USD	RMB	EUR	USD	RMB	EUR
Financial assets at fair value through profit or loss	5,615,904,165	650,326,233	365,609,661	11,245,333,084	381,542,605	369,923,440
Financial assets at fair value through other comprehensive income	5,821,770,119	84,522,184	-	-	-	-
Available-for-sale	-	-	-	955,374,620	801,106,281	-
Loan and receivables	5,063,360,066	126,089,235	1,766,314,342	3,391,400,862	167,613,834	1,613,649,399
Amount due from an associate	5,353,399	-	-	5,353,399	-	-
Amount due from a fellow subsidiary	-	23,756,183	-	-	-	-
Pledged deposits	621,925,791	88,663,746	-	-	-	-
Cash at banks and in hand	3,230,699,065	695,199,625	8,726,157	8,259,500,863	732,244,642	45,303,895
Bank and other borrowings	(32,115,364,633)	-	(1,388,179,550)	(34,818,613,188)		(1,586,763,000)
Other payables	(314,636,166)	(23,827,365)	-	(320,333,936)	(23,981,378)	-
Amount due to an associate	(958,275)	-	-	(1,054,275)	-	-
Financial liabilities at fair value through profit or loss	(22,459,888)	-	-	-	-	-
	(12,094,406,357)	1,644,729,841	752,470,610	(11,283,038,571)	2,058,525,984	442,113,734

Given that the Hong Kong dollar is pegged with the United States dollar, it is not expected that the currency risk arising from changes in the United States dollar/Hong Kong dollar exchange rate would be material. Accordingly, no sensitivity analysis is performed and presented.

If the exchange rate of RMB increases/decreases by 5% at 31 December 2018, with all other variables held constant, the Group's profit after taxation will increase/decrease by approximately HK$69 million (2017: HK$86 million) respectively.

If the exchange rate of EUR increase/decrease by 5% at 31 December 2018, with all other variable held constant, the Group's profit after taxation will increase/decrease by approximately HK$31 million (2017: HK$18 million) respectively.

The sensitivity analysis above has been determined assuming that the change in exchange rate had occurred at the end of the year and had been applied to the exposure to currency risk in existence at that date. The 5% change represents management's assessment of a reasonably possible change in exchange rate over the period until the end of the year. The analysis is performed on the same basis for 2017.

Price risk

The Group is exposed to equity price risk on financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale investments included in the consolidated statement of financial position. If the equity price of the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale investments held by the Group as at 31 December 2018 had increased/decreased by 10%, the Group's profit after taxation will increase/decrease by approximately HK$56 million (2017: HK$196 million) and the total equity will increase/decrease by approximately HK$371million (2017: HK$478 million).

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to investment in fixed rates debt securities.

At 31 December 2018, if market interest rates had been 50 basis points (2017: 50 basis points) higher/lower with all other variables held constant, profit after tax for the year would decrease/increase by HK$14 million (2017: decrease/increase by HK$129 million) and investment revaluation reserve in equity would decrease/increase by HK$70 million (2017: decrease/increase by HK$0.8 million).

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank loans (see Note 19 for details). It is the Group's policy to keep its bank loans at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate arising from the Group's United States dollar denominated bank loans.

If the interest rate increases/decreases by 50 basis points (2017: 50 basis points), based on cash at banks and bank loans as at 31 December 2018 with all other variables held constant, the Group's profit after taxation will increase/decrease by approximately HK$44 million (2017: HK$47 million) respectively.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the year and had been applied to the exposure to interest rate risk for the financial assets and liabilities in existence at that date. 50 basis points change represents management's assessment of a reasonably possible change in interest rate over the period until the end of the year. The analysis is performed on the same basis for 2017.

No sensitivity analysis has been presented for loans and receivables and bond payable as they are carried at amortised cost and the directors of the Company consider the fixed interest loans and receivables are not subject to significant fair value interest rate risk.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual loan at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Cash and cash equivalents and restricted cash with financial institutions are placed with various authorised institutions. Accordingly, the directors of the Company consider the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The Group's credit risk is primarily attributable to loans and receivables, pledged deposits and financial assets at fair value through other comprehensive income. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Individual credit evaluations are performed periodically and regularly on all loans to customers until all the loans are fully recovered. These evaluations focus on the customers' repayment history, current ability to pay and the adequacy of collateral/security/guarantees provided, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operates.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and receivables are corporate guarantees and personal guarantees.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or have past-due amounts has not more than 30 days	12-month ECL
Watch list	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired
Substandard	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Doubtful	There is evidence indicating the asset is in doubtful financial difficulty and the Group has little realistic prospect of recovery	Lifetime ECL - credit-impaired
Loss	There is evidence indicating that the asset is in severe financial difficulty and the Group has no realistic prospect of recovery	Lifetime ECL - credit-impaired

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies- continued

Credit risk and impairment assessment - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	External rating	Internal rating	12-month or lifetime ECL	Gross carrying amount HK$	HK$
Financial assets at amortised costs					
Loans to customers (Note 16)	N/A	Low risk	12-month ECL	5,816,870,925	
	N/A	Watch list	Lifetime ECL (not credit-impaired)	1,929,871,988	
	N/A	Substandard	Lifetime ECL (credit-impaired)	288,981,161	
	N/A	Doubtful	Lifetime ECL (credit-impaired)	367,201,302	8,402,925,376
Other receivables (Note 16)	B3 and above (Moody's)	Low risk	12-month ECL	77,050,387	
	B3 to C (Moody's)	Watch list	Lifetime ECL (not credit-impaired)	7,239,048	
	N/A	Watch list	Lifetime ECL (not credit-impaired)	694,247,009	
	N/A	Doubtful	Lifetime ECL (credit-impaired)	22,537,587	801,074,031
Account receivables (Note 16)	N/A	Note a	N/A	2,023,973	2,023,973
Rental and utilities deposit (Note 16)	N/A	Note a	N/A	11,985,162	11,985,162
Cash and cash equivalent	Above baa2 (Moody's)	Note b	12-month ECL	5,265,368,000	5,265,368,000
Restricted cash in other financial institutions	Above baa2 (Moody's)	Note b	12-month ECL	9,198,808	9,198,808
Pledged deposits	N/A	Low risk	12-month ECL	284,040,798	
	N/A	Watch list	Lifetime ECL (not credit-impaired)	255,222,900	
	N/A	Substandard	Lifetime ECL (credit-impaired)	266,566,934	805,830,632
Amounts due from a joint venture	N/A	Note a	N/A	5,353,399	5,353,399
Other items					
Financial assets at FVTOCI (Note 19)	B3 and above (Moody's)	Low risk	12-month ECL	5,001,110,619	
	B3 to C (Moody's)	Doubtful	Lifetime ECL (not credit-impaired)	235,782,625	5,236,893,244

Note a: The directors of the Company consider the impacts of the ECL from these financial assets are immaterial to the Group, so no ECL and internal rating are recorded/assigned.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Note b: Bank balances and deposits with financial institutions are placed with various authorised institutions. Accordingly, the directors of the Company consider the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The following tables show reconciliation of loss allowances that has been recognised for receivables.

Loans to customers - gross carrying amount

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Gross carrying amount as at 31 December 2018	5,816,870,925	1,929,871,988	656,182,463	8,402,925,376

Loans to customers - loss allowance

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 31 December 2017				
- under HKAS 39	-	-	78,668,043	78,668,043
Adjustment upon application of HKFRS 9	22,543,224	86,084,264	-	108,627,488
As at 1 January 2018				
- as restated	22,543,224	86,084,264	78,668,043	187,295,531
Changes in the loss allowance				
- Transfer to stage 2	(11,799,715)	11,799,715	-	-
- Transfer to stage 3	(475,963)	(86,084,264)	86,560,227	-
Provided for the year	14,945,070	91,518,658	149,261,608	255,725,336
Financial asset that have been derecognised	(1,884,481)	-	-	(1,884,481)
As at 31 December 2018	23,328,135	103,318,373	314,489,878	441,136,386

Loans to customers are back by collateral. The Group accepts collaterals in form of properties and stocks. As at 31 December 2018, 62.4% (2017: 85.4%) of the outstanding balance in gross carrying amount were secured by collateral.

In determining the allowance for credit impaired loans to customers, the management of the Group also takes into account shortfall by comparing the fair value of collateral and the outstanding balance of loans and advances. In the opinion of the directors of the Company, the impairment provision of ECL for the current year is appropriate.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The following table shows the reconciliation of gross carrying amount and loss allowances that has been recognised for other receivables.

Other receivables - gross carrying amount

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Gross carrying amount as at 31 December 2018	77,050,387	701,486,057	22,537,587	801,074,031

Other receivables - loss allowance

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 31 December 2017				
- under HKAS 39	-	-	-	-
Adjustment upon application of HKFRS 9	568,548	2,245,826	-	2,814,374
As at 1 January 2018				
- as restated	568,548	2,245,826	-	2,814,374
Changes in the loss allowance				
- Transfer to stage 1	4,766	(4,766)	-	-
Provided for the year	317,884	4,343,678	10,085,070	14,746,632
Financial asset that have been derecognised	(129,479)	(13,137)	-	(142,616)
As at 31 December 2018	761,719	6,571,601	10,085,070	17,418,390

The following table shows the reconciliation of gross carrying amount and loss allowances that has been recognised for pledged deposits.

Pledged deposits - gross carrying amount

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Gross carrying amount as at 31 December 2018	284,040,798	255,222,900	266,566,934	805,830,632

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Pledged deposits - loss allowance

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 31 December 2017				
- under HKAS 39	-	-	-	-
Adjustment upon application of HKFRS 9	-	-	-	-
As at 1 January 2018				
- as restated	-	-	-	-
Changes in the loss allowance				
Provided for the year	19,359	11,106,776	84,114,960	95,241,095
As at 31 December 2018	19,359	11,106,776	84,114,960	95,241,095

The following table shows the reconciliation of gross carrying amount and loss allowances that has been recognised for debt investments at fair value through other comprehensive income.

Debt investments at FVTOCI - gross carrying amount

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Gross carrying amount as at 31 December 2018	5,001,110,619	235,782,625	-	5,236,893,244

Debt investments at FVTOCI - loss allowance

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 31 December 2017				
- under HKAS 39	-	-	-	-
Adjustment upon application of HKFRS 9	36,434,533	21,310,436	-	57,744,969
As at 1 January 2018				
- as restated	36,434,533	21,310,436	-	57,744,969
Changes in the loss allowance				
Provided for the year	8,347,857	4,656,700	-	13,004,557
Financial asset that have been derecognised	(51,764)	-	-	(51,764)
As at 31 December 2018	44,730,626	25,967,136	-	70,697,762

In order to minimise the credit losses, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and receivables.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The Group establishes an impairment loss on loans and receivables that represents its estimate of receivables from customers which may not be recoverable. The loss allowance is determined after taking into consideration the repayment ability of its customers.

The allowance account in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

The Group seeks to obtain collateral to mitigate credit risk to an acceptable level. All credit decisions, whether or not secured by collateral, are based on counterparties' repayment capacity. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral in credit risk mitigation mainly include charges over financial instruments such as equities and debt securities.

The Group has established policies to govern the determination of eligibility of assets taken as a collateral for credit risk mitigation. In order for an asset to be considered as effective risk mitigation, the market value of the asset should be readily determinable or can be reasonably established. The asset is marketable and there exists a readily available secondary market for disposal of the asset. In addition, the Group is able to secure control over the asset if necessary. The collateral value is assessed periodically ranging from quarterly to annually, depending on the type of collateral.

As at 31 December 2018, the total amount of loans to customers of the Group consists of 17 independent counterparties. The balance of the top three independent counterparties amounting to HK$4,733,792,000 in total approximates to 59% of the total loans and receivables. The Group closely monitors the credit risk exposure to each customer.

As at 31 December 2017, the total amount of loans to customers of the Group consists of 16 independent counterparties. The balance of top three independent counterparties amounting to HK$3,619,763,000 in total approximates to 53% of the total loans and receivables.

Bank balances are placed with various authorised institutions. The credit risk on time deposits and cash at banks is low as the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

Other than the above, the Group has no significant concentration of credit risk by any other debtor, with exposure spread over a number of counterparties and clients.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC.

26. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains sufficient bank balances and securing continuous financial support from the ultimate controlling entities so as to enable the Group to meet its liabilities as when they fall due. In the opinion of directors, the Group does not have significant liquidity risk.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient funds including those generated by the Group's operations and such additional finance as may be borrowed from time to time from the holding company undertaking and/or third parties, to meet the Group's liquidity requirements in the short and longer terms.

The following tables details the remaining contractual maturities at the end of the year of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual interest rate) and earliest date the Group can be required to pay:

	Contractual undiscounted cash flow			
	Within 1 year or on demand HK$	Over 1 year HK$	Total HK$	Carrying amount at 31.12.2018 HK$
Other payables	363,327,317	-	363,327,317	363,327,317
Amount due to an associate	958,275	-	958,275	958,275
Financial liability at fair value through profit or loss	22,459,888	-	22,459,888	22,459,888
Bank and other borrowings	10,006,500,376	26,460,127,730	36,466,628,106	36,286,865,008
As at 31 December 2018	10,393,245,856	26,460,127,730	36,853,373,586	36,673,610,488

	Contractual undiscounted cash flow			
	Within 1 year or on demand HK$	Over 1 year HK$	Total HK$	Carrying amount at 31.12.2017 HK$
Other payables	416,499,590	-	416,499,590	416,499,590
Amount due to a fellow subsidiary	24,958,222	-	24,958,222	24,958,222
Amount due to an associate	1,054,275	-	1,054,275	1,054,275
Financial liability at fair value through profit or loss	4,839,068	-	4,839,068	4,839,068
Bank and other borrowings	10,348,015,500	30,385,762,500	40,733,778,000	36,405,376,188
As at 31 December 2017	10,795,366,655	30,385,762,500	41,181,129,155	36,852,727,343

26. FINANCIAL INSTRUMENTS - continued

Fair value of assets and liabilities

Fair value measurements recognised in the statement of financial position

This note provides information about how the Group determines fair values of financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used).

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	2018 HK$	2017 HK$			
Financial assets					
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
- Listed securities held for trading					
Equity securities					
Listed in Hong Kong	673,727,940	2,349,175,521	Level 1	(a)	N/A
Listed outside Hong Kong	119,816,972	-	Level 1	(a)	N/A
Debt securities					
Listed in Hong Kong	149,610,987	4,845,819,423	Level 1	(a)	N/A
Listed outside Hong Kong	959,243,606	3,226,990,949	Level 1	(a)	N/A
- Unlisted preference share	192,750,766	-	Level 2	(e)	N/A
- Unlisted unit funds	920,355,097	-	Level 2	(e)	N/A
- Unlisted unit funds	2,141,181,607	-	Level 3	(c)	Discount rate 4.51% - 10.05%
- Unlisted equity securities	12,112,155	-	Level 3	(i)	Discount rate for lack of marketability 25.0%
- Unlisted equity securities	205,432,548	-	Level 3	(g)	Discount rate 15.13%
- Unlisted derivative financial assets	5,955,155	-	Level 2	(h)	N/A
- Unit convertible bonds	821,468,621	-	Level 3	(c)	Discount rate 11.43% - 21.78%
- Structured loan	397,163,243	-	Level 3	(i)	Discount rate for lack of marketability 20%
- Structured loan	1,004,156,833	-	Level 3	(c)	Discount rate 7.17%
Financial assets designated at FVTPL					
- Unit fund designated at FVTPL	-	1,614,723,440	Level 2	(d)	N/A
- Structured loan designated at FVTPL	-	1,334,882,934	Level 2	(d)	N/A
- Structured loan designated at FVTPL	-	405,299,084	Level 3	(b)	Expected volatility (2017: 32.77%)
- Unlisted convertible bonds	-	903,442,299	Level 3	(c)	Discount rate (2017: 13.39% - 14.64%)
	7,602,975,530	14,680,333,650			

26. FINANCIAL INSTRUMENTS - continued

Fair value of assets and liabilities - continued

Fair value measurements recognised in the statement of financial position - continued

	Fair value as at 2018 HK$	Fair value as at 2017 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
Financial assets - continued					
Available-for-sale investments					
- Listed equity investments in Hong Kong	-	1,423,534,420	Level 1	(a)	N/A
- Listed debt securities in Hong Kong	-	113,490,750	Level 1	(a)	N/A
- Listed debt securities outside Hong Kong	-	35,885,250	Level 1	(a)	N/A
- Unlisted fund	-	367,643,376	Level 2	(d)	N/A
- Unlisted fund	-	415,586,764	Level 2	(e)	N/A
- Unlisted investments	-	372,049,324	Level 2	(d)	N/A
- Unlisted investments	-	205,884,547	Level 1	(f)	N/A
- Unlisted investments	-	257,204,723	Level 3	(g)	Discount rate (2017: 16.06%)
	-	3,191,279,154			
Financial assets at fair value through other comprehensive income					
Equity instruments at FVOCI					
- Equity securities Listed in Hong Kong	1,866,784,373	-	Level 1	(a)	N/A
- Unlisted fund	669,399,059	-	Level 2	(e)	N/A
Debt instruments at FVOCI					
- Debt securities					
Listed in Hong Kong	93,651,750	-	Level 1	(a)	N/A
Listed outside Hong Kong	5,143,241,494	-	Level 1	(a)	N/A
	7,773,076,676	-			
Financial liability					
Financial liability at fair value through profit and loss					
- Listed debt securities held for trading - short position	(22,459,888)	-	Level 1	(a)	N/A
- Derivative financial liability	-	(4,839,068)	Level 2	(h)	N/A
	(22,459,888)	(4,839,068)			

26. FINANCIAL INSTRUMENTS - continued

Fair value of assets and liabilities - continued

Fair value measurements recognised in the statement of financial position - continued

(a) Quoted price in active markets.

(b) The fair value is based on Black-Scholes pricing model. The main inputs of the model include stock price, conversion price, risk free rate, expected volatility, dividend yield, time-to-maturity and the discount rate.
The significant unobservable input is the discount rate to the estimated equity value of the convertible bonds investments. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate, the lower the fair value.

(c) The fair value is based on Binomial option pricing model.

(d) The fair value was determined with reference to the recent transaction price of the investments.

(e) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets.

(f) Fair value determined based on the share repurchase agreement price.

(g) Fair value determined based on discounted cash flow. Future cash flows are based on expected cash flows discounted at rate taking into account of the credit risk of the issuer.
The significant unobservable input is the discount rate for the credit risk spread with reference to the resulting loss given the case of default based on the management judgement in assessing the recoverability of this investment. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate, the lower the fair value.

(h) The fair values was determined with reference to the quoted price provided by brokers/financial institutions.

(i) The fair value was derived from the equity value of the unlisted equity investment based on market approach with the Price to Sale multiple/ Price to Book ratio of the comparable companies.
The significant unobservable input is the discount rate for lack of marketability to the estimated equity value of the unlisted equity investment. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate, the lower the fair value.

Fair value hierarchy

	At 31 December 2018			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets mandatorily measured at fair value through profit or loss	1,902,399,505	1,119,061,018	4,581,515,007	7,602,975,530
Financial assets at fair value through other comprehensive income	7,103,677,617	669,399,059	-	7,773,076,676
Financial liability at fair value through profit or loss	-	(22,459,888)	-	(22,459,888)
Total	9,006,077,122	1,766,000,189	4,581,515,007	15,353,592,318

	At 31 December 2017			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Held for trading financial assets at fair value through profit or loss	10,421,985,893	-	-	10,421,985,893
Financial assets designated at fair value through profit or loss	-	2,949,606,374	1,308,741,383	4,258,347,757
Available-for-sale financial assets	1,778,794,967	1,155,279,464	257,204,723	3,191,279,154
Financial liability at fair value through profit or loss	-	(4,839,068)	-	(4,839,068)
Total	12,200,780,860	4,100,046,770	1,565,946,106	17,866,773,736

26. FINANCIAL INSTRUMENTS - continued

Fair value of assets and liabilities - continued

There were no transfers between Levels 1 and 2 for both years.

The fair value of the some unlisted instrument and structured loan designated at FVTPL were determined with reference to the recent transaction price of the underlying investment and therefore classified as Level 2 investment for the year ended 31 December 2017. During the year ended 31 December 2018, its fair value was determined with reference to the black-scholes option pricing model, discounted cashflow of investment and business valuation using market multiples respectively. Thus, these instruments were transferred from Level 2 to Level 3 category.

Valuation techniques

The fair value of listed trading securities and available-for-sale financial assets being classified as Level 1 was determined based on quoted price in an active market.

The fair value of available-for-sale financial assets being classified as Level 2 and Level 3 was determined based on recent transaction price.

The fair value of available-for-sale unlisted investments being classified as Level 3 was determined based on valuation techniques that include inputs for the assets that are not based on observable market data.

Assets and liabilities carried at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost approximate their fair values.

Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss HK$	Available-for-sale financial asset HK$	Total HK$
At 1 January 2017	868,504,258	-	868,504,258
Total gain in profit or loss	55,973,525	-	55,973,525
Transfer into level 3	384,263,600	240,355,055	624,618,655
Exchange difference	-	16,849,668	16,849,668
At 31 December 2017	1,308,741,383	257,204,723	1,565,946,106
Adjustment upon application of HKFRS 9	257,204,723	(257,204,723)	-
Purchase	788,726,790	-	788,726,790
Disposal/redemption	(831,354,027)	-	(831,354,027)
Total gain in profit or loss	(26,699,224)	-	(26,699,224)
Transfer into level 3	3,119,481,121	-	3,119,481,121
Exchange difference	(34,585,759)	-	(34,585,759)
At 31 December 2018	4,581,515,007	-	4,581,515,007

26. FINANCIAL INSTRUMENTS - continued

Capital risk management

The Group regularly reviews and manages its capital structure (consisting of share capital, accumulated losses and capital reserve) in order to meet the Group's operation and working capital requirements. The Group follows a conservative dividend policy which allows changing financial needs to be met from internal resources. The Group's overall strategy for capital management remains unchanged from prior years and is not subject to external imposed capital requirements.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$ (Note 21)	Bond payables HK$ (Note 21)	Interest payables HK$ (Note 22)	Total HK$
At 1 January 2017	20,000,000	23,188,676,071	94,067,764	23,302,743,835
Financing cash flow				
Drawdown of bank borrowings	1,425,903,900	-	-	1,425,903,900
Repayment of bank borrowings	(20,000,000)	-	-	(20,000,000)
Proceed from debt issuance	-	15,452,414,349	-	15,452,414,349
Debt repayment	-	(3,890,000,000)		(3,890,000,000)
Loan interest expenses	-	-	25,155,264	25,155,264
Effective interest expense	-	783,228,741	-	783,228,741
Coupon interest accrual	-	(715,705,973)	715,705,973	-
Loan interest paid	-	-	(25,027,583)	(25,027,583)
Bond interest paid	-	-	(577,665,000)	(577,665,000)
Unrealised exchange loss	160,859,100	-	(127,682)	160,731,418
At 31 December 2017 and 1 January 2018	1,586,763,000	34,818,613,188	232,108,736	36,637,484,924
Financing cash flow				
Drawdown of bank borrowings	2,478,792,000	-	-	2,478,792,000
Repayment of bank borrowings	(337,753,700)	-	-	(337,753,700)
Proceed from debt issuance	-	4,625,130,202	-	4,625,130,202
Debt repayment	-	(7,780,000,000)	-	(7,780,000,000)
Loan interest expenses	-	-	100,221,748	100,221,748
Effective interest expense	-	1,053,463,672	-	1,053,463,672
Coupon interest accrual	-	(990,842,430)	990,842,430	-
Loan interest paid	-	-	(100,221,748)	(100,221,748)
Bond interest paid	-	-	(986,115,000)	(986,115,000)
Acquisition of subsidiary	891,308,124	-	-	891,308,124
Unrealised exchange loss	(58,609,048)	-	-	(58,609,048)
At 31 December 2018	4,560,500,376	31,726,364,632	236,836,166	36,523,701,174

28. ACQUISITION AND PARTIAL DISPOSAL WITHOUT LOSS OF CONTROL OF A SUBSIDIARY

Acquisition of a subsidiary - 2018

As set out in Note 14, under the shareholders agreement, GWPA Property was granted a call option (the "Option") to acquire one of the Portfolio Assets. On 11 May 2018, GWPA Property exercised the Option for the purchase of the sale shares (representing the entire issued shares of Patrol Hall 12 Limited ("Patrol Hall 12")) and the sale loan (representing all of the shareholder's loan owed by Patrol Hall 12). GWPA Property designated Great Wall Pan Asia Property Investment Limited, a wholly-owned subsidiary of the Company, to take up the sale shares and the sale loan on completion. Purchase price of HK$725,051,488 was paid on 13 June 2018 (the "Completion Date") by setting off against the outstanding amount of the advance of HK$725,051,480 owed by Everwell City to GWPA Property. As at 13 June 2018, the Group has completed the acquisition of Patrol Hall 12 and its wholly-owned subsidiary, Ray Glory Limited, directly owning Kwai Fong Plaza.

As a result of the above acquisition, the Group recognised a gain of HK$1,513,351 upon exercising the Option in the consolidated statement of profit or loss and other comprehensive income.

Consideration transferred

	HK$
Cash	725,051,488

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$
Fixed assets	28,350
Investment properties	1,608,920,920
Restricted cash	7,115,101
Cash and cash equivalents	3,617,472
Loans and receivables	2,392,694
Other payables and accruals	(4,201,574)
Shareholder loans	(725,051,480)
Bank and other borrowings	(891,308,124)
Total	1,513,359

Realised gain on the Option arising on acquisition:

	HK$
Consideration transferred	725,051,488
Less: Net assets acquired	(1,513,359)
Less: Amount due to the immediate holding company by Patrol Hall 12 as at Completion Date	(725,051,480)
Realised gain on the Option	(1,513,351)

28. ACQUISITION AND PARTIAL DISPOSAL WITHOUT LOSS OF CONTROL OF A SUBSIDIARY - continued

Acquisition of a subsidiary - 2018 - continued

The acquired business contributed revenue of HK$35,000,000 and net profit of HK$68,482,000 to the Group for the period from the Completion Date to 31 December 2018.

Acquisition-related costs of HK$820,000 were included in the other operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

Net cash outflow on acquisition of Patrol Hall 12 Limited

	HK$
Cash consideration paid	725,051,488
Less: cash and cash equivalent balance acquired	(3,617,472)
Less: restricted cash	(7,115,101)
	714,318,915

Deemed partial disposal of interest in a subsidiary without loss of control - 2017

On 6 October 2017, the Group transferred 100% of the issued share capital of Great Wall Pan Asia Asset Management Limited to it's subsidiary, Great Wall Pan Asia Holdings Limited which the Group holds 74.89%, effectively disposing 25.11% of interest in Great Wall Pan Asia Asset Management Limited. The Group recognised directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received, and attribute it to the owners of the Group.

Change in equity on deemed disposal of interest without loss of control:

	HK$
Consideration received	-
Plus: Group's share of net assets of Great Wall Pan Asia Asset Management Limited immediately before disposal of interest (100% in Great Wall Pan Asia Asset Management Limited)	38,649,767
Less: Group's share of net assets of Great Wall Pan Asia Asset Management Limited immediately after disposal of interest (74.89% in Great Wall Pan Asia Asset Management Limited)	(28,944,810)
Amount recognised in other reserves	9,704,957

On 6 October 2017, the Group transferred 100% of the issued share capital of Great Wall Pan Asia Corporate Finance Limited to it's subsidiary, Great Wall Pan Asia Holdings Limited which the Group holds 74.89%, effectively disposing 25.11% of interest in Great Wall Pan Asia Corporate Finance Limited. The Group recognised directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received, and attribute it to the owners of the Group.

28. ACQUISITION AND PARTIAL DISPOSAL WITHOUT LOSS OF CONTROL OF A SUBSIDIARY - continued

Deemed partial disposal of interest in a subsidiary without loss of control - 2017 - continued

Change in equity on deemed disposal of interest without loss of control:

	HK$
Consideration received	-
Plus: Group's share of net assets of Great Wall Pan Asia Corporate Finance Limited immediately before disposal of interest (100% in Great Wall Pan Asia Corporate Finance Limited)	552,560
Less: Group's share of net assets of Great Wall Pan Asia Corporate Finance Limited immediately after disposal of interest (74.89% in Great Wall Pan Asia Corporate Finance Limited)	(413,812)
Amount recognised in other reserves	138,748

29. COMMITMENTS

At 31 December 2018, the total future minimum lease receipts (payments) under non-cancellable operating leases are as follows:

	2018 HK$	2017 HK$
Receipts		
Within 1 year	46,643,556	42,069,605
After 1 year but within 5 years	27,636,675	14,159,572
	74,280,231	56,229,177

Operating lease receipts represent rentals receivable by the Group in relation to the office premises. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms.

	2018 HK$	2017 HK$
Payments		
Within 1 year	22,392,161	18,029,000
After 1 year but within 5 years	22,820,968	15,752,022
	45,213,129	33,781,022

Operating lease payments represent rentals payable by the Group for its office premises and staff quarters. Leases are negotiated for an average term of three years and rentals are fixed over the lease terms.

30. CAPITAL COMMITMENT

In addition to the operating lease commitments detailed in note 29 above, the Group had the following commitments at year end.

	2018 HK$	2017 HK$
Contracted, but not provided		
Capital commitments for proposed investment in a joint venture	-	2,499,332,469
Capital expenditure on investment properties	1,575,000	-
	1,575,000	2,499,332,469

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTES	2018 HK$	2017 HK$
ASSETS			
Non-current assets			
Fixed assets		1,794,814	2,932,344
Investment properties		150,900,000	126,900,000
Available-for-sale financial assets		-	1,790,289,677
Financial assets at fair value through other comprehensive income		7,773,076,676	-
Financial assets at fair value through profit or loss		534,613,339	424,315,583
Loans and receivables		1,106,761,069	2,141,053,493
Pledged deposits		284,021,439	-
Investment in subsidiaries	13	233,793,079	233,789,150
Total non-current assets		10,084,960,416	4,719,280,247
Current assets			
Loans and receivables		2,402,720,545	1,952,911,785
Prepayments		3,353,946	2,747,370
Financial assets at fair value through profit or loss		2,598,887,883	10,900,100,403
Available-for-sale financial assets		-	404,092,054
Amounts due from subsidiaries		14,913,828,789	10,091,196,642
Amount due from an associate		5,544,009	5,544,009
Pledged deposits		392,329,339	-
Cash and cash equivalents		4,957,820,604	9,303,428,538
Total current assets		25,274,485,115	32,660,020,801
Total assets		35,359,445,531	37,379,301,048
EQUITY AND LIABILITIES			
Equity			
Share capital	24	358,661,400	358,661,400
Reserve		(781,426,494)	191,344,612
Total equity		(422,765,094)	550,006,012
Current liabilities			
Bank and other borrowings		3,617,179,550	1,586,763,000
Amounts due to subsidiaries		32,054,960,719	35,127,974,414
Other payables and accruals		86,592,740	102,745,671
Financial liability at fair value through profit or loss		16,504,733	4,839,068
Total current liabilities		35,775,237,742	36,822,322,153

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY - continued

	2018 HK$	2017 HK$
Non-current liabilities		
Deferred tax liabilities	6,972,883	6,972,883
Total liabilities	35,782,210,625	36,829,295,036
Total equity and liabilities	35,359,445,531	37,379,301,048

The Company's statement of financial position was approved and authorised for issue by the board of directors on 19 JUN 2019 and are signed on its behalf by:

Chen Zenan
DIRECTOR

Xu Yongle
DIRECTOR

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY - continued

Movements in components of equity

Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below.

	Share capital (Note 24) HK$	Capital reserve (Note a) HK$	Investment revaluation reserve (Note b) HK$	Accumulated losses HK$	Total HK$
At 1 January 2017	358,661,400	408,258,204	(483,426,808)	(178,056,308)	105,436,488
Profit for the year	-	-	-	61,932,414	61,932,414
Other comprehensive income for the year	-	-	382,637,110	-	382,637,110
Total comprehensive income for the year	-	-	382,637,110	61,932,414	444,569,524
At 31 December 2017	358,661,400	408,258,204	(100,789,698)	(116,123,894)	550,006,012
Impact on initial application of HKFRS 9	-	-	119,197,613	(220,121,472)	(100,923,859)
At 1 January 2018 (restated)	358,661,400	408,258,204	18,407,915	(336,245,366)	449,082,153
Profit for the year	-	-	-	172,983,640	172,983,640
Other comprehensive expense for the year	-	-	(1,044,830,887)	-	(1,044,830,887)
Total comprehensive (expense) income for the year	-	-	(1,044,830,887)	172,983,640	(871,847,247)
At 31 December 2018	358,661,400	408,258,204	(1,026,422,972)	(163,261,726)	(422,765,094)

Notes:

(a) The capital reserve represents the waiver of amount due to ultimate holding company for the year ended 31 December 2011.

(b) The investment revaluation reserve comprises the cumulative change in the fair value of financial assets at fair value through other comprehensive income/available-for-sale financial assets held at the end of the year.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of the Company on 19 JUN 2019 .

REPORT OF THE DIRECTORS

The board of directors are pleased to present their report and the audited consolidated financial statements of China Great Wall AMC (International) Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are money lending, property investment, financial assets investment and distressed assets investment. The principal activities and other particulars of the subsidiaries set out in note 14 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

BUSINESS REVIEW

The Company is a wholly-owned subsidiary of China Great Wall Asset Management Co., Ltd. in the financial year and therefore, according to section 388(3)(b) of Hong Kong Companies Ordinance, it is exempted to prepare a business review as required by the Schedule 5 of the Hong Kong Company Ordinance (Cap. 622) for the financial year.

RESULTS

The results of the Group for the year ended 31 December 2019 and the Group's financial position at that date are set out in the Group's consolidated financial statement on pages 7 to 9.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and the statement of changes in equity of the Company on pages 10 and 89, respectively.

SHARE CAPITAL

Details of the Company's share capital are set out in note 25 to the consolidated financial statements. There was no movement in the Company's share capital during the year.

DIRECTORS

The directors during the year and up to the date of this report are:

Chen Liangsheng
Huang Hu
Xu Yongle
Chen Zenan
Bai Jing
Ou Peng (resigned on 1 February 2019)

In accordance with article 7 of the Company's Articles of Association, all remaining directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2019, none of the directors nor their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation.

PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, any permitted indemnity provision that meets the requirements specified in section 469(2) of the Company Ordinance for the benefit of any of the directors or any associated company is or was in force.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance, to which the Company's holding companies, fellow subsidiaries, joint venture, associates or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CHINA GREAT WALL AMC (INTERNATIONAL) HOLDINGS COMPANY LIMITED
中國長城資產(國際)控股有限公司

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chen Zenan
DIRECTOR

29 JUN 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF CHINA GREAT WALL
AMC (INTERNATIONAL) HOLDINGS COMPANY LIMITED
中國長城資產(國際)控股有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Great Wall AMC (International) Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 7 to 86, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 JUN 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$
Revenue			
Commission and fee income		30,006,392	67,716,378
Interest income	5	553,427,348	648,725,374
Investment income	6	1,148,173,423	1,002,838,366
Rental income		114,244,696	95,521,663
		1,845,851,859	1,814,801,781
Other income and gains or losses	7	279,979,515	497,344,801
Depreciation on fixed assets	11	(13,017,664)	(3,242,551)
Depreciation of right-of-use assets	12	(15,161,356)	-
Employee benefit expenses	8	(70,541,130)	(130,231,310)
Impairment loss of financial assets, net of reversal		(426,099,689)	(376,638,759)
Impairment loss on fixed assets	11	-	(191,217)
Other operating expenses		(111,928,587)	(135,835,333)
Finance cost	9	(1,234,476,649)	(1,153,685,420)
Share of results of investments accounted for using the equity method	15	416,822,537	297,121,500
Profit before taxation	9	671,428,836	809,443,492
Taxation expense	10	(61,350,609)	(55,166,662)
Profit for the year		610,078,227	754,276,830
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Disposal of equity instruments at fair value through other comprehensive income		(55,520)	-
Fair value change in equity instruments at fair value through other comprehensive income		(1,173,603)	(629,235,722)
Items that may be reclassified subsequently to profit or loss:			
Fair value change in debt instruments at fair value through other comprehensive income		185,431,148	(440,006,732)
Exchange differences arising on translating a foreign operation		(58,909,880)	(12,489,165)
Reclassification adjustments relating to disposal of debt instruments at fair value through other comprehensive income during the year		58,345,123	11,458,773
(Reversal) charge of impairment loss on debt instruments at fair value through other comprehensive income	28	(21,312,121)	12,952,793
Total comprehensive income (expense) for the year		772,403,374	(303,043,223)
Profit for the year attributable to			
Owners of the Company		485,857,015	601,671,088
Non-controlling interests		124,221,212	152,605,742
		610,078,227	754,276,830
Total comprehensive income (expense) attributable to			
Owners of the Company		648,182,162	(455,648,965)
Non-controlling interests		124,221,212	152,605,742
		772,403,374	(303,043,223)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$
ASSETS			
Non-current assets			
Fixed assets	11	1,268,050,958	5,886,913
Investment properties	13	2,889,600,000	3,942,700,000
Investments accounted for using the equity method	15	3,811,899,564	3,427,660,314
Financial assets at fair value through other comprehensive income	19	7,306,647,057	7,773,076,676
Financial assets at fair value through profit or loss	20	4,436,943,404	4,536,424,809
Loans and receivables	16	3,113,109,680	5,119,532,308
Restricted cash		10,225,655	9,198,808
Pledged deposits		-	284,021,439
Right-of-use assets	12	21,986,467	-
Goodwill	17	372,178,687	372,178,687
Total non-current assets		23,230,641,472	25,470,679,954
Current assets			
Loans and receivables	16	4,653,888,371	3,639,921,458
Prepayments		22,320,361	7,661,613
Amount due from a joint venture	15	-	5,353,399
Amount due from a fellow subsidiary	18	-	23,756,183
Financial assets at fair value through profit or loss	20	3,040,756,583	3,066,550,721
Pledged deposits		572,672,953	426,568,098
Cash and cash equivalents		5,952,658,072	5,265,368,000
Total current assets		14,242,296,340	12,435,179,472
Total assets		37,472,937,812	37,905,859,426
EQUITY AND LIABILITIES			
Equity			
Share capital	25	358,661,400	358,661,400
Reserves		739,601,389	91,419,227
Equity distributable to owners of the Company		1,098,262,789	450,080,627
Perpetual capital instruments	26	3,098,826,886	-
Non-controlling interest		755,340,420	632,709,786
Total equity		4,952,430,095	1,082,790,413

	NOTES	2019 HK$	2018 HK$
Current liabilities			
Bank and other borrowings	21	7,061,917,381	9,102,241,198
Other payables and accruals	22	428,495,758	480,856,756
Amount due to an associate	15	-	958,275
Financial liabilities at fair value through profit or loss	20	-	22,459,888
Tax liabilities		93,050,292	23,043,284
Lease liabilities	23	4,711,423	-
Total current liabilities		7,588,174,854	9,629,559,401
Non-current liabilities			
Bank and other borrowings	21	24,903,698,041	27,184,623,810
Deferred tax liabilities	24	10,682,614	8,885,802
Lease liabilities	23	17,952,208	-
Total non-current liabilities		24,932,332,863	27,193,509,612
Total liabilities		32,520,507,717	36,823,069,013
Total equity and liabilities		37,472,937,812	37,905,859,426

Approved and authorised for issue by the Board of Directors on 29 JUN 2020 and signed on its behalf by the following directors.

Chen Zenan
DIRECTOR

Xu Yongle
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital (Note 25) HK$	Capital reserve (Note a) HK$	Investment revaluation reserve (Note b) HK$	Translation reserve (Note c) HK$	Retained earnings HK$	Other reserve (Note d) HK$	Sub-total HK$	Perpetual capital instruments HK$	Non-controlling interest HK$	Total HK$
At 1 January 2018	358,661,400	408,258,204	18,407,916	21,642,144	109,755,579	(10,995,651)	905,729,592		486,328,044	1,392,057,636
Profit for the year	-	-	-	-	601,671,088	-	601,671,088		152,605,742	754,276,830
Other comprehensive expense for the year	-	-	(1,044,830,888)	(12,489,165)	-	-	(1,057,320,053)		-	(1,057,320,053)
Total comprehensive (expense) income for the year	-	-	(1,044,830,888)	(12,489,165)	601,671,088	-	(455,648,965)		152,605,742	(303,043,223)
Capital distribution to non-controlling interest	-	-	-	-	-	-	-		(6,224,000)	(6,224,000)
At 31 December 2018 and 1 January 2019	358,661,400	408,258,204	(1,026,422,972)	9,152,979	711,426,667	(10,995,651)	450,080,627	-	632,709,786	1,082,790,413
Profit for the year	-	-	-	-	485,857,015	-	485,857,015	-	124,221,212	610,078,227
Other comprehensive income (expense) for the year	-	-	221,235,027	(58,909,880)	-	-	162,325,147	-	-	162,325,147
Total comprehensive income (expense) for the year	-	-	221,235,027	(58,909,880)	485,857,015	-	648,182,162	-	124,221,212	772,403,374
Capital distribution to non-controlling interest	-	-	-	-	-	-	-	-	(1,590,578)	(1,590,578)
Issuance of perpetual capital instruments net of issuance cost	-	-	-	-	-	-	-	3,098,826,886	-	3,098,826,886
At 31 December 2019	358,661,400	408,258,204	(805,187,945)	(49,756,901)	1,197,283,682	(10,995,651)	1,098,262,789	3,098,826,886	755,340,420	4,952,430,095

Notes:

(a) The capital reserve represents the waiver of the amount due to ultimate holding company for the year ended 31 December 2011.

(b) The investment revaluation reserve comprises the cumulative change in the fair value of financial assets at fair value through other comprehensive income held at the end of the year.

(c) The translation reserve represents the exchange difference arising from the translation of a foreign operation into the presentation currency of the Group.

(d) Other reserve arose from the difference between the amount by which the non-controlling interests are adjusted and the consideration paid and received for the acquisition of additional interest, partial disposal of interest without loss of control in a subsidiary, and deemed partial disposal of interest without loss of control in subsidiaries in prior years.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$
Operating activities			
Profit before taxation		671,428,836	809,443,492
Adjustments for:			
Interest expense on bank loans	9	144,663,947	100,221,748
Interest expense on bond payables	9	1,088,743,079	1,053,463,672
Interest expense on lease liabilities	9	1,069,623	-
Depreciation on fixed assets	11	13,017,664	3,242,551
Depreciation on right-of-use assets	12	15,161,355	-
Realised gain on the call option		-	(1,513,351)
Net (gain) losses on financial assets/liabilities at fair value through profit or loss	6	(237,982,491)	93,862,276
Change in fair value of investment properties	7	(190,442,159)	(424,560,691)
Impairment loss on financial assets, net of reversal	9	426,099,689	376,638,759
Impairment loss on fixed assets	11	-	191,217
Bank interest income	7	(158,435,959)	(90,941,311)
Loan interest income	5	(553,427,348)	(648,725,374)
Interest income from debt securities	6	(906,535,510)	(1,012,976,423)
Dividend income	6	(62,000,545)	(95,182,992)
Rental income from investment properties		(114,244,696)	(95,521,663)
Share of results of investments accounted for using equity method	15	(416,822,537)	(297,121,500)
Operating cash flows before movements in working capital		(279,707,051)	(229,479,590)
Decrease (increase) in loans and receivables		953,737,283	(410,018,686)
(Increase) decrease in prepayments		(14,658,748)	22,912,378
Decrease (increase) in amount due from fellow subsidiary		23,756,183	(23,756,183)
Decrease in amount due from associates		5,353,399	-
(Decrease) increase in other payables and accruals		(108,207,136)	10,830,733
Decrease in amount due to an associate		(958,275)	(96,000)
Decrease in amount due to a fellow subsidiary		-	(24,958,222)
Cash generated from (used in) operations		579,315,655	(654,565,570)
Income tax paid		10,453,211	(60,509,596)
Bank interest income received		158,435,959	90,941,311
Loan interest received		457,404,058	613,466,201
Net cash generated from (used in) operating activities		1,205,608,883	(10,667,654)

	NOTES	2019 HK$	2018 HK$
Investing activities			
Dividend income received from listed securities		62,000,545	95,182,992
Interest received from debt securities		748,665,505	861,649,835
Rental income received from investment properties		114,244,696	95,521,663
Net change in financial assets/liabilities at fair value through profit or loss		340,798,146	2,278,965,001
Net change in financial assets at fair value through other comprehensive income		708,976,767	(917,429,540)
Purchase of fixed assets	11	(11,347,474)	(1,019,470)
Addition of right-of-use assets	12	(2,280,074)	-
Addition of investment properties	13	(19,957,841)	(818,389)
Placement of pledged bank deposits		-	(805,830,632)
Placement of restricted cash		(1,026,847)	(9,198,808)
Loan to associate		-	(3,123,382,161)
Net cash inflow (outflow) of acquisition of a subsidiary	30	18,998,760	(714,318,915)
Net cash generated from (used in) investing activities		1,959,072,183	(2,240,679,424)
Financing activities			
Proceeds from issuance of bonds	29	1,549,083,490	4,625,130,202
Proceeds from issuance of perpetual securities		3,098,926,886	-
New bank loans raised	29	1,049,000,000	2,478,792,000
Repayment of bank loans	29	(1,488,792,000)	(337,753,700)
Repayment of issued bond	29	(5,446,000,000)	(7,780,000,000)
Repayment of lease liability	29	(13,273,741)	-
Loan interest paid	29	(144,663,947)	(100,221,748)
Bond interest paid	29	(991,170,149)	(986,115,000)
Distribution of profit to limited partnership		(1,590,578)	(6,224,000)
Net cash (used in) generated from financing activities		(2,388,580,039)	(2,106,392,246)
Net (decrease) increase in cash and cash equivalents		776,101,027	(4,357,738,324)
Effect of changes in foreign exchange rate		(88,810,955)	(10,263,850)
Cash and cash equivalents at beginning of the year		5,265,368,000	9,633,370,174
Cash and cash equivalents at end of the year		5,952,658,072	5,265,368,000
Analysis of balances of cash and cash equivalents			
Cash and bank equivalents		5,952,658,072	5,265,368,000

1. GENERAL

China Great Wall AMC (International) Holdings Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. Its immediate holding company and ultimate holding company is China Great Wall Asset Management Co., Ltd. which is incorporated in the People's Republic of China (the "PRC"). The address of its registered office and principal place of business is 20/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The principal activities of the Company are money lending, property investment, financial assets investment and distressed assets investment. The principal activities and other particulars of the subsidiaries are set out in note 14 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatory effective for current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in current year.

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the amendments to HKFRSs and interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

2.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transfer, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts.

i. Elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
ii. Applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

2.1 HKFRS 16 "Leases" - continued

As a lessee - continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.43%.

	At 1 January 2019 HK$
Operating lease commitments disclosed as at 31 December 2018 (Note 31)	45,213,129
Lease liabilities discounted at relevant incremental borrowing rates	43,510,604
Less: Practical expedient - leases with lease term ending within 12 months from the date of initial application	(8,642,856)
Lease liabilities as at 1 January 2019	34,867,749
Analysed as	
Current	12,204,118
Non-current	22,663,631
	34,867,749

The carrying amount of right-of-use assets (representing land and buildings) is the same as carrying amount recognized for lease liabilities as at 1 January 2019.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The application of the discounting effect on 1 January 2019 is considered not material at initial application. Accordingly, there is no adjustment on right-of-use assets arising from discounting of refundable rental deposits.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

2.1 HKFRS 16 "Leases" - continued

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The Directors considered that such adjustment has no material impact to the consolidated financial statements.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
		HK$	HK$	HK$
Non-current assets				
Right-of-use assets		-	34,867,749	34,867,749
Current liabilities				
Lease liabilities		-	12,204,119	12,204,119
Non-current liabilities				
Lease liabilities		-	22,663,630	22,663,630

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs and interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs and the revised Conceptual Framework mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company have been prepared on a going concern basis. As reflected in the statement of financial position of the Company, the Company has a net current liability of HK$7,819,261,010 (2018: HK$10,500,752,627) for the year ended 31 December 2019. Liabilities of HK$26,555,035,575 (2018: HK$32,054,960,719) are due to wholly owned subsidiaries and will not be due for repayment for a period of at least twelve months from the date when the board of directors of the Company approve the financial statements of the Company, except for an amount of HK$3,890,000,000 (2018: HK$5,446,000,000) which will be due on 31 August 2020. The Company has adequate liquid assets as in necessary to enable the Company to meet in full its financial obligations for a further period of at least twelve months from the date when the board of directors of the Company approve the financial statements of the Company.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation - continued

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for measurements that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiaries.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share- based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations - continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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 provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating unit in which the Group monitor goodwill).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investment in an associate and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment in an associate and joint venture - continued

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or a joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or a joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate or a joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Consultancy, financial advisory and handling service fee, included in the "commission and fee income" line item, are recognised at a point in time when the underlying transaction are executed and services are completed.

Management fee income, included in the "commission and fee income" line item, is recognised over time as the Group provides management services and the customer's simultaneously receives and consumes the benefit, provided by the Group. The management income is charged at a fixed rate per annum.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarters and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) - continued

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) - continued

Lease modifications - continued

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)- continued

Classification and measurement of leases - continued

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Interest income which are derived from the Group's ordinary course of business is presented as revenue.

The Group as a lessor (prior to 1 January 2019)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Amount due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment out standing in the respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under value model, such cost are recognize as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing - continued

The Group as a lessor (prior to 1 January 2019) - continued

Leasehold land and building - continued

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as fixed assets.

Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Fixed assets are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as fixed assets.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If a property becomes a fixed asset because its used has changed as evidenced by start of owner-occupation, the properties' deemed cost for subsequent accounting shall be its fair value at the date of change in use. Subsequent to the change, the property will be subject to depreciation in accordance with the Group's accounting policy for fixed assets.

Investment properties are initially measured at cost, including any directly attributable expenditure. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2019. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combinations to which HKFRS 3 "Business Combinations" applies.

A financial asset is as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net (losses) gains on financial assets/liabilities at fair value through profit or loss" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial asset (including financial assets at fair value through other comprehensive income, loans and receivables, restricted cash, pledged deposits, amount due from a joint venture, amount due from fellow subsidiary and cash and cash equivalents) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the counterparties, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the ECL equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(i) Significant increase in credit risk - continued

For loan commitment, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers the event of default occurs when the information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

In respective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Where ECL is measured on a collective basis, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

(v) Measurement and recognition of ECL - continued

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loans and receivables where the corresponding adjustment is recognised through a ECL account. For investments in debt instruments that are measured at FVTOCI, the ECL is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at amortised cost

Financial liabilities including bank and other borrowings and other payables and accruals, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 at or within three months when acquired, 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, which are not restricted as to use.

Restricted cash are bank deposits as collateral of bank loans with an original maturity of more than one year from the date of investment and which do not meet the definition of cash and cash equivalents.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies - continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Retirement benefit costs

Payments to the Mandatory Provident Fund scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

The valuation of investment properties is performed in accordance with the "Valuation Standards on Valuation of Properties" published by the Hong Kong Institute of Surveyors. The valuation is reviewed by semi-annually by qualified valuers by considering the information from a variety of sources including but not limited to:

(i) Comparable sales transactions as available in the relevant market; and
(ii) Rental income derived from the existing tenancies with due provision for any reversionary income potential.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Fair value of investment properties - continued

The fair value of investment properties are determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 13.

Changes to the assumptions used in deriving the valuation could have a significant risk of causing material adjustment to the carrying amounts in the consolidated statement of financial position.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill is HK$372,178,687 (31 December 2018: HK$372,178,687).

Impairment of financial assets at amortised cost and financial assets at FVTOCI

The directors of the Company estimate the amount of ECL for ECL on financial assets at amortised cost and financial assets at FVTOCI based on the credit risk of the respective financial instrument. The ECL amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk and therefore expected cash flows of the respective financial instrument, in particular credit impaired financial assets, involves a high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. The information about the ECL and the financial assets at amortised cost and financial assets at FVTOCI are disclosed in respective notes to the financial statements.

Loss Given Default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, transaction volume of the secured assets and seniority of claim. For unsecured loans, the calculation of LGD includes the judgments in determining the proportion of loan recovered after default and the duration of recovery.

Relevant information with regard to the exposure of credit risk and expected credit losses are set out in respective notes to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Fair value measurement of financial instruments

The Group selects appropriate valuation techniques for financial instruments which are classified as level 3 investments in accordance with the Group's significant accounting policies as disclosed in note 3 to the consolidated financial statements. In determining the fair value of the financial assets, the Group uses valuation technique for financial instruments which are not quoted in an active market. However, areas such as credit risk of the Group and counterparties, volatilities and correlations required management to make estimates. Changes in assumption about these factors could affect the estimate fair value of the financial instruments. Note 28 to the consolidated financial statements provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

5. INTEREST INCOME

	2019 HK$	2018 HK$
Loan interest income	553,427,348	648,725,374

6. INVESTMENT INCOME

	2019 HK$	2018 HK$
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	237,982,491	(93,862,276)
Net loss on disposal of financial assets at fair value through other comprehensive income	(58,345,123)	(11,458,773)
Interest income from debt instruments	906,535,510	1,012,976,423
Dividend income	62,000,545	95,182,992
	1,148,173,423	1,002,838,366

7. OTHER INCOME AND GAINS OR LOSSES

	2019 HK$	2018 HK$
Bank interest income	158,435,959	90,941,311
Sundry income	1,172,764	3,538,524
Net foreign exchange loss	(70,071,367)	(21,695,725)
Net change in fair value of investment properties (note 13)	190,442,159	424,560,691
	279,979,515	497,344,801

8. EMPLOYEE BENEFIT EXPENSES

	2019 HK$	2018 HK$
Employee benefit expenses (including directors' emoluments (note 9)):		
- salaries, allowances and other benefits	58,909,320	91,114,786
- discretionary bonuses	3,595,479	34,677,104
- contributions to pension plans	4,285,858	3,475,292
- staff welfare	3,750,493	964,128
	70,541,130	130,231,310

9. PROFIT BEFORE TAXATION

	2019 HK$	2018 HK$
The Group's profit before taxation is arrived at after charging:		
Auditor's remuneration		
- current year	1,503,225	948,293
Interest expense on bank loans	144,663,947	100,221,748
Interest expense on bond payables	1,088,743,079	1,053,463,672
Interest expense on lease liabilities	1,069,623	-
	1,234,476,649	1,153,685,420
Impairment loss on financial assets, net of reversal (note 28)	426,099,689	376,638,759
Impairment loss on fixed assets (note 11)	-	191,217
Directors' emoluments (note)		
- salaries, allowances and other benefits	1,770,252	1,821,577
- discretionary bonuses	1,438,525	2,449,993
- contributions to pension plans	257,000	31,500
	3,465,777	4,303,070

Note: The directors' emoluments are disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation under Cap. 622(G).

10. TAXATION EXPENSE

Taxation expense in the consolidated statement of profit or loss and comprehensive income of the Group represents:

	2019 HK$	2018 HK$
Hong Kong Profits Tax		
Charges for the year	39,283,476	32,443,937
Underprovision in prior year	106,096	-
Deferred tax expenses (note 24)	1,796,812	98,637
PRC corporate income tax		
Charges for the year	20,164,225	22,624,088
	61,350,609	55,166,662

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$	2018 HK$
Profit before taxation	671,428,836	809,443,492
Tax at the applicable tax rate of 16.5%	110,785,758	133,558,176
Tax effect of expenses that are not deductible	95,740,808	111,483,115
Tax effect of income that are not taxable	(168,579,440)	(200,932,934)
Effect on different tax rate of operations in other jurisdiction	6,855,837	7,692,190
Underprovision in respect of prior year	106,096	-
Tax loss not recognised	16,455,480	3,373,404
Utilisation of tax loss	(13,930)	(7,289)
Tax expense	61,350,609	55,166,662

At the end of the reporting period, the Group has unused tax losses of HK$967.0 million (2018: HK$867.3 million) to carry forward against future profits. A deferred tax asset has been recognised in respect of HK$18.8 million (2018: HK$27.8 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$948.2 million (2018: HK$839.5 million) due to the unpredictability of future profit streams.

11. FIXED ASSETS

	Owned properties HK$	Leasehold improvement HK$	Office equipment HK$	Furniture and fixtures HK$	Computer equipment HK$	Motor vehicles HK$	Total HK$
COST							
At 1 January 2018	-	5,490,472	4,424,819	5,802,443	2,164,558	1,147,870	19,030,162
Disposal	-	(1,027)	-	-	-	-	(1,027)
Acquisition of subsidiary (note 30)	-	-	14,330	-	16,009	-	30,339
Impairment	-	(768,173)	(548,415)	(100,735)	-	-	(1,417,323)
Addition	-	80,300	169,723	52,283	-	717,164	1,019,470
Exchange difference	-	-	(3,123)	-	(1,970)	-	(5,093)
At 31 December 2018	-	4,801,572	4,057,334	5,753,991	2,178,597	1,865,034	18,656,528
Disposal	-	-	-	-	-	(579,870)	(579,870)
Acquisition of subsidiary (note 30)	-	-	1,620,917	-	-	-	1,620,917
Addition	-	7,927,824	2,409,991	1,008,010	1,649	-	11,347,474
Reclassification from investment properties to fixed assets (note)	1,263,500,000	-	-	-	-	-	1,263,500,000
Exchange difference	-	-	(427)	-	(895)	-	(1,322)
At 31 December 2019	1,263,500,000	12,729,396	8,087,815	6,762,001	2,179,351	1,285,164	1,294,543,727
ACCUMULATED DEPRECIATION							
At 1 January 2018	-	(1,792,608)	(2,138,299)	(3,918,725)	(2,143,319)	(759,737)	(10,752,688)
Charges for the year	-	(1,529,832)	(683,836)	(864,274)	(15,151)	(149,458)	(3,242,551)
Disposal	-	1,027	-	-	-	-	1,027
Acquisition of subsidiary (note 30)	-	-	(699)	-	(1,290)	-	(1,989)
Impairment	-	328,790	813,339	83,977	-	-	1,226,106
Exchange difference	-	-	(980)	-	1,460	-	480
At 31 December 2018	-	(2,992,623)	(2,010,475)	(4,699,022)	(2,158,300)	(909,195)	(12,769,615)
Charges for the year	(8,423,904)	(2,202,867)	(1,801,765)	(323,957)	(8,138)	(257,033)	(13,017,664)
Disposal	-	-	-	-	-	579,870	579,870
Acquisition of subsidiary (note 30)	-	-	(1,286,377)	-	-	-	(1,286,377)
Exchange difference	-	-	436	-	581	-	1,017
At 31 December 2019	(8,423,904)	(5,195,490)	(5,098,181)	(5,022,979)	(2,165,857)	(586,358)	(26,492,769)
NET BOOK VALUE							
At 31 December 2019	1,255,076,096	7,533,906	2,989,634	1,739,022	13,494	698,806	1,268,050,958
At 31 December 2018	-	1,808,949	2,046,859	1,054,969	20,297	955,839	5,886,913

The above items of fixed assets are depreciated on a straight-line basis at the following rates per annum:

Owned properties	100 years
Leasehold improvement	shorter of remaining lease term of 2 to 50 years or useful life
Office equipment	3 to 10 years
Furniture and fixtures	3 to 10 years
Computer equipment	3 to 4 years
Motor vehicles	3 to 10 years

Note: On 1 May 2019, 20th Floor and 21st Floor of Bank of America Tower together with a car parking space were reclassified from investment properties to property, plant and equipment in the consolidated balance sheet as at 31 December 2019 as the owner occupies the properties as the Group's head office.

Impairment assessment of owned property

Impairment will be made when there are a continuous decline in fair value of the owned property.

The Group's owned property was valued on 31 December 2019 by Cushman & Wakefield Limited, an independent valuer not related to the Group.

The fair value of the owned properties was determined based on the income capitalisation approach that capitalise the net income of similar properties with due allowance for reversionary income potential at appropriate capitalisation rate.

11. FIXED ASSETS - continued

Impairment assessment of owned property - continued

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key unobservable inputs used in valuing the owned properties was the adjusted rent per square meter and capitalisation rate.

Adjusted rent per square meter ranged from HK$100.00 to HK$100.50 and capitalisation rate at 2.50%. An increase in the adjusted rent per square meter used would result in an increase in the fair value measurement of the owned property and an increase in capitalisation rate used would result in a decrease in the fair value measurement of the owned property, and vice versa.

Details of the Group's owned property and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2019	
	Carrying amount HK$	Fair value at Level 3 hierarchy HK$
Owned property in Hong Kong	1,255,076,096	1,196,000,000

The carrying amount of the Group's owned property has not been reduced as management consider the decrease in fair value as a transient slowing effect on the property market.

12. RIGHT-OF-USE ASSETS

	Leased properties HK$
As at 1 January 2019	
Carrying amount	34,867,749
As at 31 December 2019	
Carrying amount	21,986,467
For the year ended 31 December 2019	
Depreciation charge	(15,161,356)
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	13,863,305
Total cash outflow for leases	29,417,120
Additions to right-of-use assets	2,280,074

12. RIGHT-OF-USE ASSETS - continued

For both years, the Group leases offices for its operations and advertising billboards. Lease contracts are entered into for fixed term of 12 months to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term lease for staff quarters. As at 31 December 2019, the portfolio of short-term lease is similar to the portfolio of short-term lease to which the short-term lease expense under continuing operations disclosed above.

13. INVESTMENT PROPERTIES

The Group leases out various commercial and residential units under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 50 years, with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

For the year ended 31 December 2019, there's no cash outflow for leases with no leased properties under sub-leases and no leasehold land acquired during the year.

	HK$
FAIR VALUE	
At 1 January 2018	1,908,400,000
Addition	818,389
Acquisition of subsidiary (note 30)	1,608,920,920
Net increase in fair value recognised in consolidated statement of profit or loss and other comprehensive income (note 7)	424,560,691
At 31 December 2018	3,942,700,000
Addition	19,957,841
Transfer to fixed assets (note 11)	(1,263,500,000)
Net increase in fair value recognised in consolidated statement of profit or loss and other comprehensive income (note 7)	190,442,159
At 31 December 2019	2,889,600,000

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

13. INVESTMENT PROPERTIES - continued

The fair value of the Group's investment properties as at 31 December 2019 and 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited ("AAL"), Cushman & Wakefield Limited ("DTZ") and Savills Valuation and Professional Services Limited ("Savills"), independent qualified professional valuers not connected to the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair values of the Group's investment properties are categorised as Level 3 measurement in the three-level fair value hierarchy. During the year, there were no transfers between different levels within the fair value hierarchy.

The fair value of investment property located in Hong Kong is determined using income capitalisation approach. Income capitalisation approach capitalise the net income from existing tenancies with due allowance for reversionary income potential at appropriate capitalisation rates for individual properties.

Description	Fair value at 31 December 2019	Fair value at 31 December 2018	Valuation technique	Fair value hierarchy	Range of significant unobservable inputs	Valuation perform by
Commercial unit located in HK	HK$106,500,000	HK$119,300,000	Income capitalisation	3	Capitalisation rate of 3.20% (2018:2.30%)	AAL
Residential units located in HK	HK$31,900,000	HK$31,600,000	Income capitalisation	3	Capitalisation rate of 2.00% - 2.50% (2018: 2.30%-2.40%)	AAL
Commercial and carpark units located in HK	-	HK$1,186,000,000	Income capitalisation	3	Capitalisation rate (2018: 2.50%)	DTZ
Industrial units located in HK	HK$333,200,000	HK$345,800,000	Income capitalisation	3	Capitalisation rate of 3.125% - 3.50% (2018: 3.125% -3.75%)	DTZ
Retail, office and advertising board units located in HK	HK$586,000,000	HK$580,000,000	Income capitalisation	3	Capitalisation rate of 3.00% - 3.50% (2018: 3.25% - 3.5%)	DTZ
Retail shop, fresh Market and carpark units located in HK	HK$1,832,000,000	HK$1,680,000,000	Income capitalisation	3	Capitalisation rate of 3.50% - 3.75% (2018: 3.00% - 3.75%)	Savills

An increase in capitalisation rate used would result in a decrease on the fair value measurement of the investment properties, and vice versa.

14. INTEREST IN SUBSIDIARIES

	2019 HK$	2018 HK$
Unlisted shares at cost	233,793,110	233,793,079

Particulars of the principle subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation and operation	Particular of issued and paid up share capital 2019	2018	Equity interest held by the Group and the Company 2019	2018	Proportion of voting right held by the Group and the Company 2019	2018	Principal activities
Power Fortune Limited	Hong Kong	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
长城国际证券有限公司	Hong Kong	HK$1	HK$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall Investment Management Limited	Hong Kong	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
East Avenue Development Company Limited	Hong Kong	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Evergreat Prosper Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
深圳長城環亞國際融資租賃有限公司	People's Republic of China	US$30,000,000	US$30,000,000	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
China Great Wall International Holdings Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Issue bonds listed in Hong Kong
China Great Wall International Holdings II Limited	The British Virgin Islands	US$0.01	US$0.01	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Issue bonds listed in Hong Kong
Great Wall International Clean Energy Investment Holding Company Limited	Hong Kong	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall Pan Asia International Holdings Limited	Hong Kong	HKD1	HKD1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
China Great Wall International Holdings III Limited	The British Virgin Islands	US$0.01	US$0.01	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Issue bonds listed in Hong Kong
China Great Wall International Holdings IV Limited	The British Virgin Islands	US$500	US$500	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Issue bonds listed in Hong Kong
Great Wall Pan Asia (BVI) Holding Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall Pan Asia International Asset Management (Cayman) Limited	The Cayman Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Asset management
Great Wall International Investment I Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment II Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment III Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment IV Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment V Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment VI Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment VII Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment VIII Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment IX Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding

14. INTEREST IN SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation and operation	Particular of issued and paid up share capital 2019	2018	Equity interest held by the Group and the Company 2019	2018	Proportion of voting right held by the Group and the Company 2019	2018	Principal activities
Great Wall International Investment X Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XI Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XII Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XV Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XVI Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XVII Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XVIII Limited	The British Virgin Islands	US$1	US$1	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
Great Wall International Investment XIX Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding
Great Wall International Investment XX Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding
Great Wall International Investment XXI Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding
Great Wall International Investment XXII Limited	The British Virgin Islands	US$1	-	100% (directly)	-	100% (directly)	-	Investment holding
Great Wall Guorun Investment Company Limited	The Cayman Islands	US$50,000	US$50,000	100% (directly)	100% (directly)	100% (directly)	100% (directly)	Investment holding
長城環亞(深圳)國際投資有限公司	People's Republic of China	US$100,000,000	US$100,000,000	100% (indirectly)	100% (indirectly)	100% (indirectly)	100% (indirectly)	Financial Advisory and investment holding
Great Wall Pan Asia Holdings Limited (Formerly known as Armada Holdings Limited)	Hong Kong	HK$156,774,560	HK$156,774,560	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Investment holding
Great Wall Pan Asia Asset Management Limited (formerly known as Great Wall Pan Asia International Asset Management Limited)	Hong Kong	HK$25,560,000	HK$25,560,000	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Conduct regulated activities of advising on securities and assets management
Great Wall Pan Asia Corporate Finance Limited (formerly known as Great Wall International Corporate Finance Limited)	Hong Kong	HK$5,000,000	HK$5,000,000	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Conduct regulated activities of advising on corporate finance
Nanchao Investments Limited	The British Virgin Islands	HK$2	HK$2	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Investment holding and share investments
Nanchao Yau Tong Limited	The British Virgin Islands	US$1	US$1	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Macheer Properties limited	The British Virgin Islands	US$1	US$1	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Sunny Success Development Limited	Hong Kong	HK$2	HK$2	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Sunny Bright Development Limited	Hong Kong	HK$2	HK$2	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Lyton Investment Limited	The Commonwealth of the Bahamas	US$2	US$2	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Ray Glory Limited	Hong Kong	HK$1	HK$1	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
GWPA Property I Holding Limited	The British Virgin Islands	US$1	US$1	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Investment holding
Patrol Hall Hell 12 Limited	The British Virgin Islands	HK$8	HK$8	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	74.89% (indirectly)	Property holding
Great Wall WL Ross (Cayman) Investment Co. Ltd.	The Cayman Island	US$50,000	-	100% (indirectly)	-	100% (indirectly)	-	Investment holding

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2019 HK$	2018 HK$
Associate:			
Cost of unlisted investment in associates		3,126,704,543	3,126,704,543
Share of post-acquisition profit, net of dividend received		685,195,021	279,001,676
	15(a)	3,811,899,564	3,405,706,219
Amount due to an associate		-	958,275
Share of results of investment in associates		406,193,345	279,717,604
Joint ventures:			
Cost of unlisted investment in a joint venture		-	190,610
Share of post-acquisition profit, net of dividend received		-	21,763,485
	15(b)	-	21,954,095
Amount due from a joint venture		-	5,353,399
Share of results of investment a joint venture		10,629,192	17,403,896

Details of principal investments accounted for using the equity method are:

Name of entity	Country of incorporation	Proportion of ownership Interests held by the Group As at 31 December 2019	As at 31 December 2018	Proportion of voting rights held by the Group As at 31 December 2019	As at 31 December 2018	Principal activity
Associate						
Everwell City Limited (note i)	*The British Virgin Islands*	*26.80% (indirect)*	*22.4% (indirect)*	*22.4% (indirect)*	*22.4% (indirect)*	*Properties holding*
Dymocks Franchise Systems (China) Limited (note ii)	*Hong Kong*	*33.7% (indirect)*	*33.7% (indirect)*	*33.7% (indirect)*	*33.7% (indirect)*	*Bookshop operation*
Joint venture						
Great Wall WL Ross (Cayman) Investment Co., Ltd. (note iii)	*Hong Kong*	*note iii*	*49% (indirectly)*	*note iii*	*49% (indirectly)*	*Investment management*

Notes:

(i) On 28 November 2017, GWPA Property I Holding Limited ("GWPA Property"), a subsidiary which the Group holds 74.89%, entered into the shareholders agreement (which was amended and restated on 15 February 2018 and 12 April 2018 respectively) with other investors regarding the formation of a joint venture, Everwell City Limited ("Everwell City"), of which GWPA Property agreed to subscribe for 29.9% of class A ordinary shares of Everwell City. Everwell City had participated into a bidding for and won the bid for the purchase of a portfolio of assets comprising 17 diversified commercial properties and shopping centers, retail shops and carparks across Hong Kong (the "Portfolio Assets").

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - continued

Notes: - continued

(i) - continued

Under the said shareholders agreement, GWPA Property also agreed to provide an interest-free advance of not more than HK$743,000,000 to Everwell City in consideration of the grant of a call option which entitled GWPA Property to purchase the relevant subsidiary of the joint venture group which indirectly holds the Portfolio Assets, and the actual amount of such interest-free advance provided to Everwell City by GWPA Property was HK$725,051,488.

The Group's capital contribution to Everwell City was completed on 22 February 2018 and the actual contribution paid to Everwell City by GWPA Property was HK$3,123,382,161. The purchase of the Portfolio Assets by Everwell City was completed on 28 February 2018.

During the year ended 31 December 2018, the Company exercised the call option in May 2018 and completed the acquisition of Patrol Hall 12 Limited and its subsidiary, the major asset of which is Kwai Fong Plaza. Please refer to Notes 30 and 15(a) for details of the acquisition of subsidiaries from Everwell City.

On 12 April 2018, one of the existing shareholders of Everwell City had syndicated a portion of its interests to a new investor. Due to regulatory reasons, the new investor had to directly acquire a stake in each underlying Hong Kong subsidiaries of Everwell City and as such, the GWPA Property's interests in such Hong Kong subsidiaries had been diluted. To facilitate the new investor's acquisition, the GWPA Property's shareholding percentage in Everwell City had been adjusted accordingly and the GWPA Property's interest in Everwell City had been increased to 35.78% so as to maintain the GWPA Property's effective economic interests in the relevant Hong Kong subsidiaries and underlying assets at approximately 29.9% following the acquisition.

Notwithstanding such adjustment, the proportionate voting rights of the existing shareholders of Everwell City remain the same.

(ii) Great Wall Pan Asia Holdings Limited, a subsidiary which the Group holds 74.89% equity interest holds 45% of the issued share capital of Dymocks Franchise Systems (China) Limited, thus the Group hold 33.70% effective ownership in Dymocks Franchise Systems (China) Limited.

(iii) In October 2017, the Group invested in 49% of interest in Great Wall WL Ross (Cayman) Investment Co., Ltd. for a consideration of USD24,500 (equivalent to HK$190,610) and accounted for the investment in a joint venture.

In May 2019, the Group signed a share transfer agreement with JV partner to acquire the remaining 51% of interest in Great Wall WL Ross (Cayman) Investment Co., Ltd.. Details of this acquisition is set out in in note 30.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - continued

(a) Reconciliation of financial information for the material associate:

Set out below is the summarised financial information for Everwell City as at 31 December 2019 and 2018, which is accounted for using the equity method. In the opinion of the Directors, Everwell City is material to the Group.

	2019 HK$	2018 HK$
Non-current asset	25,865,417,472	24,316,854,926
Current assets	275,969,460	277,003,118
Current liabilities	(261,095,976)	(224,885,397)
Non-current liabilities	(23,548,603,262)	(23,432,141,731)
Net assets	2,331,687,694	936,830,916
Non-controlling interest	(383,116,181)	(153,940,320)
Net assets attributable to owners of the associate	1,948,571,513	782,890,596
Proportion of subsidiary's ownership (note i)	35.78%	35.78%
The Group's share of net assets of Everwell City Limited	697,198,887	280,118,255
Shareholders loan to Everwell City Limited	3,109,654,455	3,123,382,161
Carrying amount of the Group's interest in Everwell City Limited	3,806,853,342	3,403,500,416

(b) Reconciliation of financial information of the material joint venture:

	2019 HK$	2018 HK$
Joint venture:		
Current assets	-	58,008,944
Non-current assets	-	2,994,908
Current liabilities	-	(16,199,577)
Net assets	-	44,804,275
Proportion of subsidiary's ownership (note 30)	N/A	49%
Carrying amount of the Group's interest	-	21,954,095

The Group has acquired all remaining equity interest in the joint venture during the year and upon the acquisition, the joint venture became a wholly owned subsidiary of the Group. Details of this acquisition is set out in in note 30.

16. LOANS AND RECEIVABLES

	2019 HK$	2018 HK$
Loans to customers	7,784,049,898	8,402,925,376
Less: Impairment allowance on loans to customers	(732,979,677)	(441,136,386)
Loans to customers, net of impairment	7,051,070,221	7,961,788,990
Interest receivables	693,464,136	783,655,641
Other receivables	10,491,063	435,714,388
Accounts receivable	3,830,549	2,023,973
Rental and utilities deposit	8,142,082	11,985,162
	7,766,998,051	8,759,453,766
Classified as:		
Current assets	4,653,888,371	3,639,921,458
Non-current assets	3,113,109,680	5,119,532,308
	7,766,998,051	8,759,453,766

Details of impairment assessment of loans and receivables are set out in note 28.

17. GOODWILL

	2019 HK$	2018 HK$
COST		
At 1 January and 31 December	372,178,687	372,178,687

Impairment testing of goodwill

The recoverable amounts of the cash-generating unit of GWPA have been determined based on a value in use calculation using cash flow projection based on financial budget approved by management covering a five-year period at a discount rate of 10.99% (2018: 16.27%) cost of equity. The cash flows beyond the five-year period are estimated at a 3% (2018: 3%) terminal growth rate. No impairment loss was considered necessary for both years.

18. AMOUNT DUE FROM/TO A FELLOW SUBSIDIARY

Amount due from/to a fellow subsidiary is unsecured, interest free and repayable on demand.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$	2018 HK$
Equity instruments at fair value through other comprehensive income		
Listed investments:		
Equity securities listed in Hong Kong (note 1)	1,515,245,686	1,866,784,373
Unlisted investments:		
Unit funds (note 2)	1,048,184,743	669,399,059
	2,563,430,429	2,536,183,432
Debt instruments at fair value through other comprehensive income		
Investments in listed bonds	4,743,216,628	5,236,893,244
	7,306,647,057	7,773,076,676

1) The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

2) The above unlisted unit funds investments represent the Group's equity interest in a private entity established in the Cayman Island. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI.

Details of impairment assessment for debt instruments at fair value through other comprehensive income are set out in note 28.

20. FINANCIAL ASSETS/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$	2018 HK$
ASSETS		
Financial assets mandatorily measured at fair value through profit or loss		
Listed securities held for trading		
- Equity securities		
Listed in Hong Kong	143,185,000	673,727,940
Listed outside Hong Kong	-	119,816,972
- Debt securities		
Listed in Hong Kong	12,195,150	149,610,987
Listed outside Hong Kong	1,872,795,216	959,243,606
	2,028,175,366	1,902,399,505
Unit Funds	3,456,771,194	3,254,287,470
Unlisted equity securities	10,364,161	217,544,703
Derivative financial assets	11,221,435	5,955,155
Convertible bonds	-	821,468,621
Preference shares	426,399,316	397,163,243
Structured loans	1,000,303,887	1,004,156,833
Distressed assets	544,464,628	-
	5,449,524,621	5,700,576,025
	7,477,699,987	7,602,975,530
Classified as:		
Current assets	3,040,756,583	3,066,550,721
Non-current assets	4,436,943,404	4,536,424,809
	7,477,699,987	7,602,975,530
LIABILITY		
Listed debt securities held for trading - short position		
Listed in Hong Kong	-	22,459,888

21. BANK AND OTHER BORROWINGS

	2019 HK$	2018 HK$
Bank borrowings - unsecured	4,088,629,495	4,560,500,376
Listed bonds - secured (note a)	27,876,985,927	31,726,364,632
	31,965,615,422	36,286,865,008

The bank borrowings and listed bonds are repayable as follows:

	2019 HK$	2018 HK$
Bank borrowings		
- within one year	3,191,344,000	3,666,971,550
- in the second to fifth years inclusive	897,285,495	893,528,826
Bonds repayable		
- within one year	3,870,573,381	5,435,269,648
- in the second to fifth years inclusive	20,145,652,086	22,438,381,482
- over five years	3,860,760,460	3,852,713,502
	31,965,615,422	36,286,865,008

Note:

(a) Bonds totalled US$700 million and US$800 million were issued by a wholly owned subsidiary of the Company, China Great Wall International Holdings III Limited, pursuant to the Offering Circular dated 17 October 2016, the bonds, with coupon rate of 2.25% and 2.625% per annum respectively and both payable semi-annually, were listed on the Hong Kong Stock Exchange on 28 October 2016. The bonds are repaid/repayable on 26 October 2019 and 27 October 2021 respectively. ("Bond 1")

Another bonds totalled US$500 million, US$1,000 million and US$500 million were issued by a wholly owned subsidiary of the Company, China Great Wall International Holdings III Limited, pursuant to the Offering Circular dated 24 August 2017, the bonds, with coupon rate of 2.625%, 2.75% and 3.875% per annum respectively and both payable semi-annually, were listed on the Hong Kong Stock Exchange on 31 August 2017. The bonds are repayable on 31 August 2020, 31 August 2022 and 31 August 2027 respectively. ("Bond 2")

Additional bonds totalled US$600 million were issued by a wholly owned subsidiary of the Company, China Great Wall International Holdings III Limited, pursuant to the Offering Circular dated 17 May 2018, the bonds, with coupon rate of 4.375% per annum payable semi-annually, were listed on the Hong Kong Stock Exchange on 25 May 2018. The bonds are repayable on 24 August 2023. ("Bond 3")

Additional bonds totalled US$200 million were issued by a wholly owned subsidiary of the Company, China Great Wall International Holdings IV Limited, pursuant to the Offering Circular dated 25 July 2019, the bonds, with coupon rate of 3.125% per annum payable semi-annually, were listed on the Hong Kong Stock Exchange on 31 July 2019. The bonds are repayable on 31 July 2024. ("Bond 4")

Bond 1, 2 and 3 have benefit of a keepwell deed and a deed of equity interest purchase, investment and liquidity support undertaken by the ultimate holding company. The Company is the sole guarantor of Bond 4.

22. OTHER PAYABLES AND ACCRUALS

	2019 HK$	2018 HK$
Accounts, other payable and accruals	119,004,467	213,199,378
Interest payables	286,871,291	236,836,166
Receipts in advance	14,789,000	20,185,021
Rental deposits received	7,831,000	10,636,191
	428,495,758	480,856,756

All payables are unsecured, non-interest bearing and repayable on demand.

23. LEASE LIABILITIES

	2019 HK$
Lease liabilities payable:	
Within one year	4,711,423
Within a period of more than one year but not more than two years	4,957,767
Within a period of more than two years but not more than five years	12,994,441
	22,663,631
Less: Amount due for settlement with 12 months shown under current liabilities	(4,711,423)
Amount due for settlement after 12 months shown under non-current liabilities	17,952,208

24. DEFERRED TAX LIABILITIES (ASSETS)

The following is the major deferred tax liabilities (assets) recognised and movements thereon during the year.

	Tax loss recognised HK$	Financial assets at FVTPL HK$	Accelerated tax depreciation HK$	Total HK$
At 1 January 2018	(60,716,362)	59,981,908	9,521,619	8,787,165
Charged (credit) to consolidated statement of profit or loss and other comprehensive income (note 10)	56,128,002	(59,981,908)	3,952,543	98,637
At 31 December 2018	(4,588,360)	-	13,474,162	8,885,802
Charged (credit) to consolidated statement of profit or loss and other comprehensive income (note 10)	1,479,407	-	317,405	1,796,812
At 31 December 2019	(3,108,953)	-	13,791,567	10,682,614

25. SHARE CAPITAL

	Number of shares	Share capital HK$
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	358,661,400	358,661,400

26. PERPETUAL CAPITAL INSTRUMENT

	Principal HK$
Balance at 1 January 2019	-
Issuance of perpetual capital securities (Note)	3,098,826,886
Balance at 31 December 2019	3,098,826,886

Pursuant to the Offering Circular dated 25 July 2019, China Great Wall International Holdings IV Limited (the "Issuer"), a wholly-owned subsidiary of the Group, issued perpetual capital securities with the principal amount of US$400 million, with an issuing cost of approximately HK$3,469,000. The perpetual capital instrument was listed on the Hong Kong Stock Exchange on 31 July 2019. The perpetual capital securities are classified as equity instruments, as there is no maturity of the instruments and the payments of distribution can be deferred into perpetuity at the discretion of the Company. When the Company elects to distribute, the distribution to the holder of perpetual capital securities shall be made at the distribution rate from 3.95% to 8.95% per annum as set out in the subscription agreement.

27. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the consolidated financial statements, the Group did not enter into any other material related party transactions with its related parties during the year.

Compensation of key management personnel

Key management personnel of the Company are the directors of the Company only. The remuneration of directors is disclosed in note 9.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial assets

	2019 HK$	2018 HK$
Fair value through profit or loss (FVTPL)		
Mandatorily measured at FVTPL		
- Listed securities held-for-trading (note 20)	2,028,175,366	1,902,399,505
- Preference share (note 20)	426,399,316	397,163,242
- Unit Funds (note 20)	3,456,771,194	3,254,287,470
- Unlisted equity securities (note 20)	10,364,161	217,544,703
- Derivative financial asset (note 20)	11,221,435	5,955,155
- Convertible bonds (note 20)	-	821,468,621
- Structured loans (note 20)	1,000,303,887	1,004,156,634
- Distressed assets (note 20)	544,464,628	-
Financial assets at amortised cost	14,303,300,513	14,773,719,693
Equity instruments at FVTOCI (note 19)	2,563,430,429	2,536,183,432
Debt instruments at FVTOCI (note 19)	4,743,216,628	5,236,893,244

Financial liabilities

	2019 HK$	2018 HK$
Fair value through profit or loss (FVTPL)		
Held-for-trading (note 19)	-	(22,459,888)
Amortised cost	(32,305,937,978)	(36,651,150,600)

The Group's major financial instruments include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, loans and receivables, restricted cash, pledged deposit, amount due from a joint venture, cash and cash equivalents, bank and other borrowings and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Exposure to credit, liquidity, interest rate, currency and price risk arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies

Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currency at the reporting date are as follows:

(in HK$ equivalent)

	2019			2018		
	USD	RMB	EUR	USD	RMB	EUR
Financial assets at fair value through profit or loss	6,326,408,042	151,719,832	373,732,996	5,615,904,165	650,326,233	365,609,661
Financial assets at fair value through other comprehensive income	5,712,529,971	78,871,400	-	5,821,770,119	84,522,184	-
Loan and receivables	4,860,336,009	102,196,016	1,652,399,773	5,063,360,066	126,089,235	1,766,314,342
Amount due from an associate	-	-	-	5,353,399	-	-
Amount due from a fellow subsidiary	-	-	-	-	23,756,183	-
Pledged deposits	572,672,953	-	-	621,925,791	88,663,746	-
Cash at banks and in hand	3,045,948,796	620,123,938	17,643,718	3,230,699,065	695,199,625	8,726,157
Bank and other borrowings	(28,253,910,573)	-	(1,352,344,000)	(32,115,364,633)	-	(1,388,179,550)
Other payables	(314,846,911)	(2,258,737)	-	(314,636,166)	(23,827,365)	-
Amount due to an associate	-	-	-	(958,275)	-	-
Financial liabilities at fair value through profit or loss	-	-	-	(22,459,888)	-	-
	(8,050,861,713)	950,652,449	691,432,487	(12,094,406,357)	1,644,729,841	752,470,610

Given that the Hong Kong dollar is pegged with the United States dollar, it is not expected that the currency risk arising from changes in the United States dollar/Hong Kong dollar exchange rate would be material. Accordingly, no sensitivity analysis is performed and presented.

If the exchange rate of RMB increases/decreases by 5% at 31 December 2019, with all other variables held constant, the Group's profit after taxation will increase/decrease by approximately HK$40 million (2018: HK$69 million) respectively.

If the exchange rate of EUR increase/decrease by 5% at 31 December 2019, with all other variable held constant, the Group's profit after taxation will increase/decrease by approximately HK$29 million (2018: HK$31 million) respectively.

The sensitivity analysis above has been determined assuming that the change in exchange rate had occurred at the end of the year and had been applied to the exposure to currency risk in existence at that date. The 5% change represents management's assessment of a reasonably possible change in exchange rate over the period until the end of the year. The analysis is performed on the same basis for 2018.

Price risk

The Group is exposed to equity price risk on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive included in the consolidated statement of financial position. If the equity price of the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income held by the Group as at 31 December 2019 had increased/decreased by 10%, the Group's profit after taxation will increase/decrease by approximately HK$12 million (2018: HK$56 million) and the total equity will increase/decrease by approximately HK$163 million (2018: HK$371 million).

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to investment in fixed rates debt securities.

At 31 December 2019, if market interest rates had been 50 basis points (2018: 50 basis points) higher/lower with all other variables held constant, profit after tax for the year would decrease/increase by HK$33 million (2018: decrease/increase by HK$14 million) and investment revaluation reserve in equity would decrease/increase by HK$36 million (2018: decrease/increase by HK$70 million).

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable bank loans' rate (see Note 21 for details). It is the Group's policy to keep its bank loans at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate arising from the Group's United States dollar denominated bank loans.

If the interest rate increases/decreases by 50 basis points (2018: 50 basis points), based on cash at banks and bank loans as at 31 December 2019 with all other variables held constant, the Group's profit after taxation will increase/decrease by approximately HK$10 million (2018: HK$44 million) respectively.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the year and had been applied to the exposure to interest rate risk for the financial assets and liabilities in existence at that date. 50 basis points change represents management's assessment of a reasonably possible change in interest rate over the period until the end of the year. The analysis was performed on the same basis for 2018.

No sensitivity analysis has been presented for loans and receivables and bond payable as they are carried at amortised cost and the directors of the Company consider the fixed interest loans and receivables are not subject to significant fair value interest rate risk.

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual loan at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to loans and receivables, pledged deposits and debt instrument of financial assets at fair value through other comprehensive income. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Loans to customers, interest receivables and pledged deposits

Pledged deposits are placed with financial institution in benefit of an onward lending customer.

Individual credit evaluations are performed periodically and regularly on all loans to customers, interest receivables and pledged deposits until all the loans, receivables and deposits are fully recovered. These evaluations focus on the customers' repayment history, current ability to pay and the adequacy of collateral/security/guarantees provided, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operates.

The Group establishes an allowance for impairment loss on Loans to customers, interest receivables and pledged deposits that represents its estimate of receivables from customers which may not be recoverable. The ECL is determined after taking into consideration the repayment ability of its customers.

The allowance account in respect of loans to customers, interest receivables and pledged deposits is used to record impairment losses unless the Group is satisfied that no recovery of the amount receivable is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

The Group seeks to obtain collateral to mitigate credit risk to an acceptable level. All credit decisions, whether or not secured by collateral, are based on counterparties' repayment capacity. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral in credit risk mitigation mainly include charges over financial instruments such as properties and properties and stocks.

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The Group has established policies to govern the determination of eligibility of assets taken as a collateral for credit risk mitigation. In order for an asset to be considered as effective risk mitigation, the market value of the asset should be readily determinable or can be reasonably established. The asset is marketable and there exists a readily available secondary market for disposal of the asset. In addition, the Group is able to secure control over the asset if necessary. The collateral value is assessed periodically ranging from quarterly to annually, depending on the type of collateral.

As at 31 December 2019, the total amount of loans to customers of the Group consists of 14 independent counterparties. The balance of the top three independent counterparties amounting to HK$4,667,037,615 in total approximates to 60% of the total loans and receivables. The Group closely monitors the credit risk exposure to each customer. As at 31 December 2018, the total amount of loans to customers of the Group consists of 17 independent counterparties. The balance of top three independent counterparties amounting to HK$4,733,792,000 in total approximates to 59% of the total loans and receivables.

Other than the above, the Group has no significant concentration of credit risk by any other debtor, with exposure spread over a number of counterparties and clients.

Debt investments at FVTOCI

The Group invested in listed bonds which are classified as financial assets at FVTOCI. The credit risk of the issuers of these instruments are monitored by the Group regularly. The fair value of the listed bonds are determined with reference to quoted price provided by brokers or financial institutions and recent transaction price inactive market respectively.

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2019 and 2018, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash with financial institutions are placed with various authorised institutions. The credit risk on time deposits and cash at banks is low as the counterparties are banks with high credit ratings assigned by international credit-ratings agencies. Accordingly, the directors of the Company consider the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and receivables are corporate guarantees and personal guarantees.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or have past-due amounts has not more than 30 days	12-month ECL
Watch list	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired
Substandard	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Doubtful	There is evidence indicating the asset is in doubtful financial difficulty and the Group has little realistic prospect of recovery	Lifetime ECL - credit-impaired
Loss	There is evidence indicating that the asset is in severe financial difficulty and the Group has no realistic prospect of recovery	Lifetime ECL - credit-impaired

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies- continued

Credit risk and impairment assessment - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	External rating	Internal rating	12-month or lifetime ECL	Gross carrying amount HK$	HK$
Financial assets at amortised costs					
Loans to customers (Note 16)	N/A	Low risk	12-month ECL	5,816,870,925	
	N/A	Watch list	Lifetime ECL (not credit-impaired)	1,929,871,988	
	N/A	Substandard	Lifetime ECL (credit-impaired)	288,981,161	
	N/A	Doubtful	Lifetime ECL (credit-impaired)	367,201,302	8,402,925,376
Interest receivables (Note 16)	B3 and above (Moody's)	Low risk	12-month ECL	77,050,387	
	B3 to C (Moody's)	Watch list	Lifetime ECL (not credit-impaired)	7,239,048	
	N/A	Watch list	Lifetime ECL (not credit-impaired)	694,247,009	
	N/A	Doubtful	Lifetime ECL (credit-impaired)	22,537,587	801,074,031
Other receivables (Note 16)	N/A	Note a	N/A	435,714,388	435,714,388
Accounts receivable (Note 16)	N/A	Note a	Lifetime ECL (not credit impaired)	2,023,973	2,023,973
Rental and utilities deposit (Note 16)	N/A	Note a	12-month ECL	11,985,162	11,985,162
Cash and cash equivalent	Above baa2 (Moody's)	Note b	12-month ECL	5,265,368,000	5,265,368,000
Restricted cash in other financial institutions	Above baa2 (Moody's)	Note b	12-month ECL	9,198,808	9,198,808
Pledged deposits	N/A	Low risk	12-month ECL	284,040,798	
	N/A	Watch list	Lifetime ECL (not credit-impaired)	255,222,900	
	N/A	Substandard	Lifetime ECL (credit-impaired)	266,566,934	805,830,632
Amounts due from a joint venture	N/A	Note a	N/A	5,353,399	5,353,399
Other items					
Financial assets at FVTOCI (Note 19)	B3 and above (Moody's)	Low risk	12-month ECL	5,001,110,619	
	B3 to C (Moody's)	Doubtful	Lifetime ECL (not credit-impaired)	235,782,625	5,236,893,244

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies- continued

Credit risk and impairment assessment - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	External rating	Internal rating	12-month or lifetime ECL	Gross carrying amount HK$	HK$
Financial assets at amortised costs					
Loans to customers (Note 16)	N/A	Low risk	12-month ECL	4,687,361,577	
	N/A	Watch list	Lifetime ECL (not credit-impaired)	355,600,000	
	N/A	Substandard	Lifetime ECL (credit-impaired)	1,761,922,250	
	N/A	Doubtful	Lifetime ECL (credit-impaired)	979,166,071	7,784,049,898
Interest receivables (Note 16)	B3 and above (Moody's)	Low risk	12-month ECL	170,747,319	
	B3 to C (Moody's)	Watch list	Lifetime ECL (not credit-impaired)	29,654,565	
	N/A	Watch list	Lifetime ECL (not credit-impaired)	377,072,240	
	N/A	Doubtful	Lifetime ECL (credit-impaired)	153,237,838	730,711,962
Other receivables (Note 16)	N/A	Note a	N/A	10,491,063	10,491,063
Accounts receivable (Note 16)	N/A	Note a	Lifetime EC (not credit-impaired)	3,830,549	3,830,549
Rental and utilities deposit (Note 16)	N/A	Note a	12-month ECL	8,142,082	8,142,082
Cash and cash equivalent	Above baa2 (Moody's)	Note b	12-month ECL	5,952,658,072	5,952,658,072
Restricted cash in other financial institutions	Above baa2 (Moody's)	Note b	12-month ECL	10,225,655	10,225,655
Pledged deposits	N/A	- Substandard	Lifetime ECL (credit-impaired)	803,653,131	803,653,131
Other items					
Financial assets at FVTOCI (Note 19)	B3 and above (Moody's)	Low risk	12-month ECL	4,572,873,528	
	B3 to C (Moody's)	Doubtful	Lifetime ECL (not credit-impaired)	170,343,100	4,743,216,628

Note a: The directors of the Company consider the impacts of the ECL from these financial assets are immaterial to the Group, so no ECL and internal rating are recorded/assigned.

Note b: Bank balances and deposits with financial institutions are placed with various authorised institutions. Accordingly, the directors of the Company consider the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The following tables show reconciliation of ECLs that has been recognised for receivables.

Loans to customers - gross carrying amount

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Gross carrying amount as at 31 December 2018	5,816,870,925	1,929,871,988	656,182,463	8,402,925,376
Gross carrying amount as at 31 December 2019	4,687,361,577	355,600,000	2,741,088,321	7,784,049,898

Loans to customers - ECL

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 1 January 2018	22,543,224	86,084,264	78,668,043	187,295,531
Changes in the ECL				
- Transfer to stage 2	(11,799,715)	11,799,715	-	-
- Transfer to stage 3	(475,963)	(86,084,264)	86,560,227	-
Provided for the year	14,945,070	91,518,658	149,261,608	255,725,336
Financial asset that have been derecognised	(1,884,481)	-	-	(1,884,481)
As at 31 December 2018	23,328,135	103,318,373	314,489,878	441,136,386
Changes in the ECL				
- Transfer to stage 1	10,935,765	(10,935,765)	-	-
- Transfer to stage 2	(16,048)	16,048	-	-
- Transfer to stage 3	-	(40,451,109)	40,451,109	-
(Reversal)Provided for the year	(5,908,582)	(51,947,547)	392,565,410	334,709,281
Financial asset that have been derecognised	(853,991)	-	(42,011,999)	(42,865,990)
As at 31 December 2019	27,485,279	-	705,494,398	732,979,677

As at 31 December 2019, financial assets at amortised cost with a gross carrying amount of HK$355,600,000 classified as lifetime ECL (not credit-impaired) was covered by collateral.

Loans to customers are back by collateral. The Group accepts collaterals in form of properties and stocks. As at 31 December 2019, 63.2% (2018: 62.4%) of the outstanding balance in gross carrying amount were secured by collateral.

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

In determining the allowance for credit impaired loans to customers, the management of the Group also takes into account shortfall by comparing the fair value of collateral and the outstanding balance of loans and advances. In the opinion of the directors of the Company, the impairment provision of ECL for the current year is appropriate.

The following table shows the reconciliation of gross carrying amount and ECL that has been recognised for interest receivables.

Interest receivables - gross carrying amount

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Gross carrying amount as at 31 December 2018	77,050,387	701,486,057	22,537,587	801,074,031
Gross carrying amount as at 31 December 2019	170,747,319	406,726,805	153,237,838	730,711,962

Interest receivables - ECL

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 1 January 2018	568,548	2,245,826	-	2,814,374
Changes in the ECL				
- Transfer to stage 1	4,766	(4,766)	-	-
Provided for the year	317,884	4,343,678	10,085,070	14,746,632
Financial asset that have been derecognised	(129,479)	(13,137)	-	(142,616)
As at 31 December 2018	761,719	6,571,601	10,085,070	17,418,390
Changes in the ECL				
- Transfer to stage 1	20,868	(20,868)	-	-
- Transfer to stage 2	(8,757)	8,757	-	-
Provided for the year	478,734	6,722,671	28,847,456	36,048,861
Financial asset that have been derecognised	(80,666)	(6,053,689)	(10,085,070)	(16,219,425)
As at 31 December 2019	1,171,898	7,228,472	28,847,456	37,247,826

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The following table shows the reconciliation of gross carrying amount and ECL that has been recognised for pledged deposits.

Pledged deposits - gross carrying amount

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Gross carrying amount as at 31 December 2018	284,040,798	255,222,900	266,566,934	805,830,632
Gross carrying amount as at 31 December 2019	-	-	803,653,131	803,653,131

Pledged deposits - ECL

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 1 January 2018	-	-	-	-
Changes in the ECL				
Provided for the year	19,359	11,106,776	84,114,960	95,241,095
As at 31 December 2018	19,359	11,106,776	84,114,960	95,241,095
Changes in the ECL				
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	(19,359)	(11,106,776)	11,126,135	-
Provided for the year	-	-	135,739,063	135,739,083
As at 31 December 2019	-	-	230,980,178	230,980,178

The following table shows the reconciliation of gross carrying amount and ECL that has been recognised for debt investments at fair value through other comprehensive income.

Debt investments at FVTOCI - gross carrying amount

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Gross carrying amount as at 31 December 2018	5,001,110,619	235,782,625	-	5,236,893,244
Gross carrying amount as at 31 December 2019	4,572,873,528	170,343,100	-	4,743,216,628

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Debt investments at FVTOCI - ECL

	12-month ECL HK$	Lifetime ECL (not credit-impaired HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 1 January 2018	36,434,533	21,310,436	-	57,744,969
Changes in the ECL				
Provided for the year	8,347,857	4,656,700	-	13,004,557
Financial asset that have been derecognised	(51,764)	-	-	(51,764)
As at 31 December 2018	44,730,626	25,967,136	-	70,697,762
(Reversal) Provided for the year	(17,338,488)	2,849,368	-	(14,489,120)
Financial asset that have been derecognised	(2,874,885)	(3,948,116)	-	(6,823,001)
As at 31 December 2019	24,517,253	24,868,388	-	49,385,641

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains sufficient bank balances and securing continuous financial support from the ultimate controlling entities so as to enable the Group to meet its liabilities as when they fall due. In the opinion of directors, the Group does not have significant liquidity risk.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient funds including those generated by the Group's operations and such additional finance as may be borrowed from time to time from the holding company undertaking and/or third parties, to meet the Group's liquidity requirements in the short and longer terms.

The following tables details the remaining contractual maturities at the end of the year of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual interest rate) and earliest date the Group can be required to pay:

	Contractual undiscounted cash flow				
	Within 1 year or on demand HK$	Over 1 year but less than 5 years HK$	Over 5 years HK$	Total HK$	Carrying amount at 31.12.2019 HK$
Other payables	352,397,910	-	-	352,397,910	352,397,910
Bank and other borrowings	8,069,866,483	23,196,461,341	4,342,212,500	35,608,540,324	31,965,615,422
Lease liabilities	5,416,000	5,416,000	13,894,000	24,456,000	22,663,631
As at 31 December 2019	8,427,680,393	23,201,877,341	4,356,106,500	35,985,664,234	32,340,676,963

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

	Contractual undiscounted cash flow				
	Within 1 year or on demand HK$	Over 1 year but less than 5 years HK$	Over 5 years HK$	Total HK$	Carrying amount at 31.12.2018 HK$
Other payables	363,327,317	-	-	363,327,317	363,327,317
Amount due to an associate	958,275	-	-	958,275	958,275
Financial liability at fair value through profit or loss	22,459,888	-	-	22,459,888	22,459,888
Bank and other borrowings	9,743,797,011	26,102,688,531	4,492,950,000	40,339,435,542	36,286,865,008
As at 31 December 2018	10,130,542,491	26,102,688,531	4,492,950,000	40,726,181,022	36,673,610,488

Fair value of assets and liabilities

Fair value measurements recognised in the statement of financial position

This note provides information about how the Group determines fair values of financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used).

	Fair value as at 2019 HK$	Fair value as at 2018 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
- Listed securities held for trading				
Equity securities				
Listed in Hong Kong	143,185,000	673,727,940	Level 1	(a)
Listed outside Hong Kong	-	119,816,972	Level 1	(a)
Debt securities				
Listed in Hong Kong	12,195,150	149,610,987	Level 2	(b)
Listed outside Hong Kong	1,872,795,216	959,243,606	Level 2	(b)
- Unlisted derivative financial assets	11,221,435	5,955,155	Level 2	(b)
- Unlisted unit funds	911,624,250	1,315,315,229	Level 3	(c)
- Unlisted unit funds	2,525,053,173	1,563,993,515	Level 3	(d)
- Unlisted unit funds	20,093,771	374,978,726	Level 2	(h)
- Unlisted equity securities	10,364,161	12,112,155	Level 3	(e)
- Unlisted equity securities	-	205,432,548	Level 3	(f)
- Unit convertible bonds	-	821,468,621	Level 3	(g)
- Unlisted preference share	426,399,316	397,163,243	Level 3	(i)
- Structured loan	1,000,303,887	1,004,156,833	Level 3	(j)
- Distressed loan	544,464,628	-	Level 3	(f)
	7,477,699,987	7,602,975,530		

28. FINANCIAL INSTRUMENTS - continued

Fair value of assets and liabilities - continued

Fair value measurements recognised in the statement of financial position - continued

	Fair value as at 2019 HK$	Fair value as at 2018 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at fair value through other comprehensive income				
Equity instruments at FVOCI				
- Equity securities				
Listed in Hong Kong	1,515,245,686	1,866,784,373	Level 1	(a)
- Unlisted funds	1,048,184,743	669,399,059	Level 3	(c)
Debt instruments at FVOCI				
- Debt securities				
Listed in Hong Kong	-	93,651,750	Level 2	(b)
Listed outside Hong Kong	4,743,216,628	5,143,241,494	Level 2	(b)
	7,306,647,057	7,773,076,676		
Financial liability				
Financial liability at fair value through profit and loss				
- Listed debt securities held for trading - short position	-	(22,459,888)	Level 2	(b)
	-	(22,459,888)		

(a) Quoted price in active markets.

(b) The fair values was determined with reference to the quoted price provided by brokers/financial institutions.

(c) The fair value is determined with reference to the net asset value of unlisted equity/partnership investment mostly determined based on the fair value of the underlying investment portfolio, which is comprised of (i) listed equity investments of which their price are quoted in active market and/or (ii) unlisted equity shares of which their fair value are determined by discounted cash flows that the futures cash flows are based on the contractual values as at the maturity date and discounted at a rate determined by observable market yield and/or (iii) unlisted equity shares of which their fair value are determined by market comparable approach based on the Guideline Companies Method with the P/S, EV/EBIDTA multiple of the comparable companies, liquidation or redemption values, expected volatility, expected life and the risk free-rate as key parameters.

(d) The fair value is determined with reference to the terms of guarantee return in LPA. As the term was listed in signed LPA, the Fund guaranteed a fixed rate of return to the Company and the Company can calculate the fair value by using NAV approach based on their commitment or using fixed rate of return. The Company determined to use the compound fixed rate to calculate the fair value and the discount rate as key parameters.

28. FINANCIAL INSTRUMENTS - continued

Fair value of assets and liabilities - continued

Fair value measurements recognised in the statement of financial position - continued

(e) The fair value was derived from the equity value of the unlisted equity investment based on market approach with the Price to Sale multiple/ Price to Book ratio of the comparable companies.
The significant unobservable input is the discount rate for lack of marketability to the estimated equity value of the unlisted equity investment. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate, the lower the fair value.

(f) Fair value determined based on discounted cash flow. Discounted cash flow with future cash flows that are estimated based on contractual terms, discounted at rates that reflect management's best estimation of the expected risk level. The significant unobservable input is the discount rate based on the management judgement. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate, the lower the fair value.

(g) The fair value is using Binomial option pricing model for equity component. The key inputs are exercise price of the options, current listed share price of the underlying assets of the options, expected volatility, time to maturity, risk free rate, dividend yield and discount rate.

The significant unobservable input is the discount rate. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate, the lower the fair value.

(h) The fair value is determined with reference to the net asset value of listed/unlisted debt investment mostly determined based on the fair value of the underlying investment portfolio, which is comprised of (i) listed debt instruments of which their price are quoted in active market and/or (ii) unlisted debt investment of which the fair value are determined based on quoted price provided by brokers/financial institution.

(i) The fair value is using Binomial option pricing model for equity component. The key inputs are exercise price of the options, current unlisted share price of the underlying assets of the options, expected volatility, time to maturity, risk free rate, dividend yield and discount rate.

The fair value of the current unlisted share price of the underlying assets is derived based on market approach with the Price to Book ratio of the comparable companies.

The significant unobservable input is the discount rate for Binomial option pricing model and for lack of marketability to the estimated unlisted share price of the underlying assets. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rates, the lower the fair value.

28. FINANCIAL INSTRUMENTS - continued

Fair value of assets and liabilities - continued

Fair value measurements recognised in the statement of financial position - continued

(j) The fair value is determined with reference to the terms of guarantee return in the agreement. As the term was listed in signed agreement, the counter-party guaranteed a fixed rate of return to the Company and the Company can calculate the fair value by using fixed rate of return and the discount rate as key parameters.

Fair value hierarchy

	At 31 December 2019			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets mandatorily measured at fair value through profit or loss	143,185,000	1,916,305,572	5,418,209,415	7,477,699,987
Financial assets at fair value through other comprehensive income	1,515,245,686	4,743,216,628	1,048,184,743	7,306,647,057
Total	1,658,430,686	6,659,522,200	6,466,394,158	14,784,347,044

	At 31 December 2018			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets mandatorily measured at fair value through profit or loss	793,544,912	1,489,788,474	5,319,643,144	7,602,975,530
Financial assets at fair value through other comprehensive income	1,866,784,373	5,236,893,244	669,399,059	7,773,076,676
Financial liability at fair value through profit or loss	-	(22,459,888)	-	(22,459,888)
Total	2,660,329,285	6,704,221,830	5,989,041,203	15,353,592,318

There were no transfers between Levels 1 and 2 for both years.

Valuation techniques

The fair value of listed trading securities being classified as Level 1 was determined based on quoted price in an active market.

The fair value of available-for-sale financial assets being classified as Level 2 and Level 3 was determined based on recent transaction price.

The fair value of unlisted investments being classified as Level 3 was determined based on valuation techniques that include inputs for the assets that are not based on observable market data.

Assets and liabilities carried at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost approximate their fair values.

28. FINANCIAL INSTRUMENTS - continued

Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss HK$	Financial assets at fair value through other comprehensive income HK$	Total HK$
At 1 January 2018	2,016,815,412	-	2,016,815,412
Purchase	788,726,790	-	788,726,790
Disposal/redemption	(831,354,027)	-	(831,354,027)
Total gain in profit or loss	31,986,279	-	31,986,279
Transfer into level 3	3,316,053,449	669,399,059	3,985,452,508
Exchange difference	(2,585,759)	-	(2,585,759)
At 31 December 2018	5,319,643,144	669,399,059	5,989,041,203
Purchase	1,908,092,364	-	1,908,092,364
Disposal/redemption	(1,720,835,487)	-	(1,720,835,487)
Total (loss) in profit or loss/gain in other comprehensive income	(77,000,794)	378,785,684	301,784,890
Exchange difference	(11,688,812)	-	(11,688,812)
At 31 December 2019	5,418,209,415	1,048,184,743	6,466,394,158

Capital risk management

The Group regularly reviews and manages its capital structure (consisting of share capital, accumulated losses and capital reserve) in order to meet the Group's operation and working capital requirements. The Group follows a conservative dividend policy which allows changing financial needs to be met from internal resources. The Group's overall strategy for capital management remains unchanged from prior years and is not subject to external imposed capital requirements.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$ (Note 21)	Bond payables HK$ (Note 21)	Interest payables HK$ (Note 22)	Lease liabilities HK$ (Note 23)	Total HK$
At 1 January 2018	1,586,763,000	34,818,613,188	232,108,736	-	36,637,484,924
Financing cash flow					
Drawdown of bank borrowings	2,478,792,000	-	-	-	2,478,792,000
Repayment of bank borrowings	(337,753,700)	-	-	-	(337,753,700)
Proceed from debt issuance	-	4,625,130,202	-	-	4,625,130,202
Debt repayment	-	(7,780,000,000)	-	-	(7,780,000,000)
Interest expense on bank loans	-	-	100,221,748	-	100,221,748
Interest expense on bond payables	-	1,053,463,672	-	-	1,053,463,672
Coupon interest accrual	-	(990,842,430)	990,842,430	-	-
Loan interest paid	-	-	(100,221,748)	-	(100,221,748)
Bond interest paid	-	-	(986,115,000)	-	(986,115,000)
Acquisition of subsidiary	891,308,124	-	-	-	891,308,124
Unrealised exchange gain	(58,609,048)	-	-	-	(58,609,048)
At 31 December 2018	4,560,500,376	31,726,364,632	236,836,166	-	36,523,701,174
Upon application of IFRS 16	-	-	-	34,867,749	34,867,749
At 1 January 2019	4,560,500,376	31,726,364,632	236,836,166	34,867,749	36,558,568,923
Financing cash flow					
Drawdown of bank borrowings	1,049,000,000	-	-	-	1,049,000,000
Repayment of bank borrowings	(1,488,792,000)	-	-	-	(1,488,792,000)
Proceed from debt issuance	-	1,549,083,490	-	-	1,549,083,490
Debt repayment	-	(5,446,000,000)	-	-	(5,446,000,000)
Interest expense on bank loans	-	-	144,663,947	-	144,663,947
Interest expense on bond payables	-	1,088,743,079	-	-	1,088,743,079
Interest expense on lease liabilities	-	-	-	1,069,623	1,069,623
Coupon interest accrual	-	(1,041,205,274)	1,041,205,274	-	-
Payment of lease liability	-	-	-	(13,273,741)	(13,273,741)
Loan interest paid	-	-	(144,663,947)	-	(144,663,947)
Bond interest paid	-	-	(991,170,149)	-	(991,170,149)
Unrealised exchange (gain)/loss	(32,078,881)	-	-	-	(32,078,881)
At 31 December 2019	4,088,629,495	27,876,985,927	286,871,291	22,663,631	32,275,150,344

30. BUSINESS COMBINATION

Step acquisition from a joint venture to a subsidiary - 2019

Pursuant to a sale and purchase agreement entered into between the Company and the other shareholders of Great Wall Guorun Investment Company Limited ("CGW") and WL Ross GW Holdings (Cayman) Ltd. ("WLR") on 23 May 2019, the remaining 51% issued share capital of Great Wall WL Ross (Cayman) Investment Co., Ltd., a company incorporated in British Virgin Island, a then joint venture of the Company, was acquired by "CGW" (the "Acquisition"). Great Wall WL Ross (Cayman) Investment Co., Ltd. is engaged in investment holding. The Acquisition was made as part of the Group's strategy to expand its investment holding business.

The consideration of the Acquisition made by the Group was a cash consideration of US$ 4,100,000.

30. BUSINESS COMBINATION - continued

Step acquisition from a joint venture to a subsidiary - 2019 - continued

Upon the completion of the above transaction, Great Wall WL Ross (Cayman) Investment Co., Ltd., the former 49% joint venture of the Company became the wholly-owned subsidiary of CGW.

The Acquisition was completed on 28 May 2019 (the "Completion Date"). The Group continued to share the results of the Company and its subsidiaries under the equity method of accounting during the period up to the Completion Date.

There was no significant fair value of the Group's 49% equity interest in Great Wall WL Ross (Cayman) Investment Co., Ltd. and its subsidiaries (collectively the "49% Joint Venture Shareholding") as at the Completion Date and there was no carrying amount of the Group's interest in the 49% Joint Venture Shareholding. No significant difference between the fair value and the carrying amount of the 49% Joint Venture Shareholding as at the Completion Date. Accordingly, no significant gain or loss has been recognised in the consolidated statement of profit or loss and other comprehensive income of the Group upon the deemed disposal of the 49% Joint Venture Shareholding.

No goodwill has been recognized in this acquisition.

The fair value of the identifiable assets and liabilities as at the Completion Date were as follows:

Consideration satisfied by:

	HK$
Fair value of the previously held equity interest in investment accounted for using the equity method	32,583,287
Cash consideration paid	31,898,000
	64,481,287

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$
Property, plant and equipment (note 11)	334,540
Loans and receivables	19,061,000
Cash & cash equivalent	50,896,760
Other payables and accruals	(5,811,013)
Total	64,481,287

Net cash inflow on step acquisition of Great Wall WL Ross (Cayman) Investment Co., Ltd.

	HK$
Cash consideration paid	(31,898,000)
Cash and cash equivalent balance acquired	50,896,760
	18,998,760

30. BUSINESS COMBINATION - continued

Step acquisition from a joint venture to a subsidiary - 2019 - continued

Goodwill arising on acquisition

	HK$
Total consideration	64,481,287
Less: Net asset acquired	(64,481,287)
Goodwill arising on acquisition	-

Since the Acquisition, Great Wall WL Ross (Cayman) Investment Co., Ltd. and its subsidiaries have not contributed any to the Group's turnover and a loss of HK$5,915,906 was included in the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2019.

There is no transaction cost for this acquisition borne by the Group.

In accordance with HKFRS, the amounts recorded for the Acquisition are provisional and are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the Completion Date and, if known, would have affected the measurement of the amounts recognised as of that date.

Acquisition of a subsidiary - 2018

As set out in Note 15, under the shareholders agreement, GWPA Property was granted a call option (the "Option") to acquire one of the Portfolio Assets. On 11 May 2018, GWPA Property exercised the Option for the purchase of the sale shares (representing the entire issued shares of Patrol Hall 12 Limited ("Patrol Hall 12")) and the sale loan (representing all of the shareholder's loan owed by Patrol Hall 12). GWPA Property designated Great Wall Pan Asia Property Investment Limited, a wholly-owned subsidiary of the Company, to take up the sale shares and the sale loan on completion. Purchase price of HK$725,051,488 was paid on 13 June 2018 (the "Completion Date") by setting off against the outstanding amount of the advance of HK$725,051,480 owed by Everwell City to GWPA Property. As at 13 June 2018, the Group has completed the acquisition of Patrol Hall 12 and its wholly-owned subsidiary, Ray Glory Limited, directly owning Kwai Fong Plaza.

As a result of the above acquisition, the Group recognised a gain of HK$1,513,351 upon exercising the Option in the consolidated statement of profit or loss and other comprehensive income.

Consideration transferred

	HK$
Cash	725,051,488

30. BUSINESS COMBINATION - continued

Acquisition of a subsidiary - 2018 - continued

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$
Fixed assets	28,350
Investment properties	1,608,920,920
Restricted cash	7,115,101
Cash and cash equivalents	3,617,472
Loans and receivables	2,392,694
Other payables and accruals	(4,201,574)
Shareholder loans	(725,051,480)
Bank and other borrowings	(891,308,124)
Total	1,513,359

Realised gain on the Option arising on acquisition:

	HK$
Consideration transferred	725,051,488
Less: Net assets acquired	(1,513,359)
Less: Amount due to the immediate holding company by Patrol Hall 12 as at Completion Date	(725,051,480)
Realised gain on the Option	(1,513,351)

The acquired business contributed revenue of HK$35,000,000 and net profit of HK$68,482,000 to the Group for the period from the Completion Date to 31 December 2018.

Acquisition-related costs of HK$820,000 were included in the other operating expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

Net cash outflow on acquisition of Patrol Hall 12 Limited

	HK$
Cash consideration paid	725,051,488
Less: cash and cash equivalent balance acquired	(3,617,472)
Less: restricted cash	(7,115,101)
	714,318,915

31. OPERATING LEASE

The Group as a lessor

All properties held for rental purpose have committed leases for the next 2 to 3 years respectively.

Minimum lease payments receivable on leases are as follows:

	2019 HK$
Within one year	48,244,767
In the second year	74,133,054
In the third year	16,775,769
	139,153,590

The Group has contracted with lessees for the following future minimum lease payments:

	2018 HK$
Within one year	46,643,556
After one year but within five years	27,636,675
	74,280,231

The Group as a lessee

	2018 HK$
Minimum lease payments payable under operating leases during the year	45,213,129

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$
Within one year	22,392,161
After one year but within five years	22,820,968
	45,213,129

32. CAPITAL COMMITMENT

The Group had the following commitments at year end.

	2019 HK$	2018 HK$
Contracted, but not provided		
Capital expenditure on investment properties	1,514,000	1,575,000

33. SUBSEQUENT EVENTS

The recent outbreak of the novel coronavirus in many countries continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus.

As the situation remains fluid as at the date of the financial statements are authorised for issue, the directors of the Company considered that the financial effects cannot be reasonably estimated. Nevertheless, the novel coronavirus outbreak has impacted the local market condition and thus the operating results of the Group's investments and debtors, which in turn may have an impact on market assumptions and/or estimates to be used in the valuation of the investments and the recoverable amounts of loans to customers.

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTE	2019 HK$	2018 HK$
ASSETS			
Non-current assets			
Fixed assets		6,171,643	1,794,814
Investment properties		138,400,000	150,900,000
Financial assets at fair value through other comprehensive income		7,306,647,057	7,773,076,676
Financial assets at fair value through profit or loss		223,901,018	534,613,339
Loans and receivables		173,812,273	1,106,761,069
Pledged deposits		-	284,021,439
Investment in subsidiaries	14	233,793,110	233,793,079
Total non-current assets		8,082,725,101	10,084,960,416
Current assets			
Loans and receivables		3,138,451,507	2,402,720,545
Prepayments		2,939,633	3,353,946
Financial assets at fair value through profit or loss		2,636,565,654	2,598,887,883
Amounts due from subsidiaries		15,054,064,603	14,913,828,789
Amount due from an associate		-	5,544,009
Pledged deposits		572,672,953	392,329,339
Cash and cash equivalents		5,311,357,606	4,957,820,604
Total current assets		25,716,051,956	25,274,485,115
Total assets		34,798,777,057	35,359,445,531

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY - continued

	NOTE	2019 HK$	2018 HK$
EQUITY AND LIABILITIES			
Equity			
Share capital	25	358,661,400	358,661,400
Reserve		(102,170,192)	(781,426,494)
Total equity		256,491,208	(422,765,094)
Current liabilities			
Bank and other borrowings		3,191,344,000	3,617,179,550
Amounts due to subsidiaries		31,261,029,036	32,054,960,719
Other payables and accruals		82,939,930	86,592,740
Financial liability at fair value through profit or loss		-	16,504,733
Total current liabilities		34,535,312,966	35,775,237,742
Non-current liabilities			
Deferred tax liabilities		6,972,883	6,972,883
Total liabilities		34,542,285,849	35,782,210,625
Total equity and liabilities		34,798,777,057	35,359,445,531

The Company's statement of financial position was approved and authorised for issue by the board of directors on 29 JUN 2020 and are signed on its behalf by:

Chen Zenan
DIRECTOR

Xu Yongle
DIRECTOR

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY - continued

Movements in components of equity

Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below.

	Share capital (Note 25) HK$	Capital reserve (Note a) HK$	Investment revaluation reserve (Note b) HK$	Retained earnings (accumulated losses) HK$	Total HK$
At 1 January 2018 (restated)	358,661,400	408,258,204	18,407,915	(336,245,366)	449,082,153
Profit for the year	-	-	-	172,983,640	172,983,640
Other comprehensive expense for the year	-	-	(1,044,830,887)	-	(1,044,830,887)
Total comprehensive (expense) income for the year	-	-	(1,044,830,887)	172,983,640	(871,847,247)
At 1 January 2019	358,661,400	408,258,204	(1,026,422,972)	(163,261,726)	(422,765,094)
Profit for the year	-	-	-	458,021,275	458,021,275
Other comprehensive income for the year	-	-	221,235,027	-	221,235,027
Total comprehensive income for the year	-	-	221,235,027	458,021,275	679,256,302
At 31 December 2019	358,661,400	408,258,204	(805,187,945)	294,759,549	256,491,208

Notes:

(a) The capital reserve represents the waiver of amount due to ultimate holding company for the year ended 31 December 2011.

(b) The investment revaluation reserve comprises the cumulative change in the fair value of financial assets at fair value through other comprehensive income held at the end of the year.

35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of the Company on .

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