IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S (AS DEFINED BELOW) AND, IN THE CASE OF NOTES OFFERED OR SOLD OUTSIDE THE UNITED STATES IN RELIANCE ON CATEGORY 2 OF REGULATION S (AS DEFINED BELOW), ARE NON-U.S. PERSONS (AS DEFINED BELOW)

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

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

THE OFFERING 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. PERSON OR TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you 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 the Offering Circular to any other person.

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

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, The Hongkong and Shanghai Banking Corporation Limited (the "**Arranger and Dealer**"), any person who controls the Arranger and Dealer, or any director, officer, employee or agent of the Issuer, the Arranger and Dealer, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arranger and Dealer.

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

中国平安
PING AN

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED

（中國平安保險海外（控股）有限公司）

(incorporated with limited liability in Hong Kong)

U.S.$3,000,000,000
Medium Term Note Programme

Under the Medium Term Note Programme described in this Offering Circular (the "**Programme**"), China Ping An Insurance Overseas (Holdings) Limited (中國平安保險海外(控股)有限公司) ("**PAOH**" or the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**"). The Issuer will enter into a trust deed with The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**") as trustee (the "**Trust Deed**"). Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$3,000,000,000 (or its equivalent in other currencies), subject to increase as described herein.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the establishment of the Programme and application will be made for the listing and quotation for any Notes which are agreed at the time of issue thereof to be so listed on the Official List of the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. Unlisted series of Notes may also be issued pursuant to the Programme. The relevant Pricing Supplement (as defined herein) in respect of any series of Notes will specify whether or not such Notes will be listed on the SGX-ST (or any other stock exchange). There is no assurance that an application for the listing of the Notes on the Official List of the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. The approval in-principle for the listing and quotation of any Notes to be issued pursuant to the Programme from, and admission of the Notes to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Programme, the Notes, the Issuer, and/or its subsidiaries. Investors are advised to read and understand the contents of this document before investing. If in doubt, investors should consult their advisers.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. The Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes offered or sold outside the United States in reliance on Category 2 of Regulation S under the Securities Act, to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act) except pursuant to an exemption from the registration requirement of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

The Notes of each series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (the temporary Global Notes and the permanent Global Notes collectively, the "**Global Notes**"). Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "**Global Certificate**"). Global Notes and Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), or with a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes may be issued on a continuing basis to the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and, together with the Arranger and Dealer, the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Programme is expected to be rated "Baa2" by Moody's Investor's Services, Inc., a subsidiary of Moody's Corporation ("**Moody's**"). This rating expectation is only correct as at the date of this Offering Circular. Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. The Issuer has been rated "Baa2" by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

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

IMPORTANT — EEA RETAIL INVESTORS — If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

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

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

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

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

Arranger and Dealer
HSBC

The date of this Offering Circular is 28 July 2021

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

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

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

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

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

No person has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Dealers, the Trustee or any Agent (as defined in the Terms and Conditions of the Notes) or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers. Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or any of them since the date hereof or the date upon which this Offering Circular has been most recently amended and/or supplemented or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended and/or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers to subscribe for or purchase any Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Dealers, the Trustee and the Agents or any director, officer, employee, representative, agent, affiliate or adviser of any such person have independently verified all the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Accordingly no representation or warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted by the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Dealers, the Trustee or any of the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers that any recipient of this Offering Circular should purchase any Notes. To the fullest extent permitted by law, none of the Dealers, the Trustee and the Agents or any director, officer, employee, representative, agent, affiliate or adviser of any such person accept any liability in relation to the information contained or incorporated by reference in this Offering Circular or the relevant Pricing Supplement, any other information provided by the Issuer in connection with the Programme or any other statement, made or purported to be made by the Dealers, the Trustee and the Agents or any director, officer, employee, representative, agent, affiliate or adviser of any such person or on its behalf in connection with the Issuer, the Group, the Programme, or the issue and offering of the Notes. Each of the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular, the relevant Pricing Supplement or any such statement. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and the relevant Pricing Supplement and its purchase of Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Unless otherwise specified or the context requires, references herein to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" are to the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, references to "Taiwan" are to the island of Taiwan and other areas under the effective control of the Republic of China, to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" or "**HKD**" are to the lawful currency of Hong Kong, to "**yen**" are to the lawful currency of Japan, to "**S$**" or "**SGD**" are to the lawful currency of Singapore, to "**U.S. dollars**", "**U.S.$**" or "**USD**" are to the lawful currency of the United States of America, references herein to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC, to "**sterling**" or "**£**" are to the currency of the United Kingdom, to "**euro**" or "**€**" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time, to "**HKFRS**" are to Hong Kong Financial Reporting Standards, and to "**IFRS**" are to International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**").

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

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR ANY PERSON(S) ACTING FOR IT) (THE "STABILISATION MANAGER(S)") IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN MAY CEASE AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVERALLOTMENT MUST BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

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

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

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

(i) each relevant Pricing Supplement;

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

(iii) the audited consolidated financial statements of the Issuer for the year ended 31 December 2020 that are appended to or circulated with this Offering Circular, and the most recently published annual or interim financial statement (whether audited or unaudited) that are dated as at a date, or for a period ending, subsequent to those financial statements appearing elsewhere in this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

The Issuer prepares its consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The Issuer's consolidated financial information as of and for the two years ended 31 December 2019 and 2020 have been extracted from the consolidated financial statements for the year ended 31 December 2020 which have been audited by the independent auditor of the Issuer.

Save for the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2020, the financial information contained in this Offering Circular does not constitute the Issuer's specified financial statements (as defined in the Companies Ordinance (Cap. 622) of Hong Kong) for the financial year ended 31 December 2020 but, in respect of financial information relating to the full financial year, is derived from those specified financial statements. The Issuer has delivered the specified financial statements for the financial year ended 31 December 2020 to the Registrar of Companies of Hong Kong. The auditor of the Issuer, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**") has issued auditor's report on the specified financial statements in relation to the Issuer for the financial year ended 31 December 2020. Such report was not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain any statement under Sections 406(2) or 407(2) or (3) of the Companies Ordinance (Cap. 622) of Hong Kong.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon prior written request and proof of holding and identity satisfactory to the Trustee) free of charge at all reasonable times during usual business hours on any weekday (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the principal office of the Trustee set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer has given an undertaking to the Dealers that if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or of the rights attaching to the Notes, the Issuer shall prepare and publish an amendment or supplement to this Offering Circular (following consultation with the Dealers and the relevant Dealer (if any)) by the publication of a supplement to it or a new Offering Circular.

CONTENTS

SUMMARY OF THE PROGRAMME

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

Issuer	China Ping An Insurance Overseas (Holdings) Limited (中國平安保險海外(控股)有限公司).
Legal Entity Identifier of the Issuer	25490058XRCE9DZAMJ79.
Description.	Medium Term Note Programme.
Size	Up to U.S.$3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Arranger.	The Hongkong and Shanghai Banking Corporation Limited.
Dealer	The Hongkong and Shanghai Banking Corporation Limited. The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "Dealers" are to all persons appointed as a Dealer in respect of one or more Tranches or the Programme.
Trustee.	The Hongkong and Shanghai Banking Corporation Limited.
Issuing and Paying Agent, Paying Agent, CMU Lodging and Paying Agent, Registrar, Transfer Agent and Calculation Agent	The Hongkong and Shanghai Banking Corporation Limited.

Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the issue date, the first payment of interest and the timing for submission of the Post-Issuance Filing), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and will be identical to the terms of other Tranches of the same Series) will be completed in the relevant pricing supplement (the "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	The Notes will be issued in bearer or registered form. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Clearing Systems	Clearstream, Luxembourg, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be selected by the Issuer, and approved by the Trustee, the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent and, if applicable, the Registrar.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU. The Global Note or the Global Certificate may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer and the relevant Dealer(s).
Specified Denomination	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central banks (or equivalent body) or any laws or regulations applicable to the relevant currency (see "*Certain Restrictions*" above).
Fixed Rate Notes	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) by reference to LIBOR, EURIBOR, HIBOR or SOFR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s). Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will be made in such currencies, and based on such rates of exchange as the Issuer and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.

Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes (as defined in "*Terms and Conditions of the Notes*") or of interest in respect of Index Linked Interest Notes (as defined in "*Terms and Conditions of the Notes*") will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default as described in Condition 10) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s). The relevant Pricing Supplement may **provide that** Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the relevant Pricing Supplement. Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions — Notes having a maturity of less than one year*" above.
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Change of Control Redemption	The terms of the Notes will contain a provision for the early redemption of the Notes at the option of the holders thereof upon the occurrence of a Change of Control as further described in Condition 6(f).

Tax Redemption	Notes will be redeemable at the Issuer's option prior to maturity for tax reasons as described in "*Terms and Conditions of the Notes — Redemption and Purchase*".
Status of Notes	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* and without any preference among themselves, with all other outstanding unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Use of Proceeds.	The net proceeds from the issue of each Tranche of Notes will be for refinancing and general working capital purposes of the Group. If, in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the relevant Pricing Supplement.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default	The Notes will contain a cross default provision as further described in Condition 10.
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within or Hong Kong or any authority therein or thereof having the power to tax, unless the withholding or deduction is required by law. In that event, the Issuer shall (subject to certain customary exceptions as provided in Condition 8) pay such additional amounts as shall result in respect of the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required.
Governing Law	The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

Listing and Admission to Trading	Approval in-principle has been received from the SGX-ST for the establishment of the Programme and application will be made for the listing and quotation of any Notes which are agreed at the time of issue thereof to be so listed on the Official List of the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. There is no assurance that an application for the listing of the Notes on the Official List of the SGX-ST will be approved. If the application to the SGX-ST to list a particular series of Notes is approved, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or its equivalent in other currencies). For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note(s) or Global Certificate(s) representing such Notes is exchanged for definitive Notes. In addition, in the event that the Global Note(s) or Global Certificate(s) is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore. Unlisted Series of Notes may also be issued pursuant to the Programme. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series of Notes. The Pricing Supplement relating to each Series of Notes will state whether or not the Notes of such Series will be listed on any stock exchange(s) and, if so, on which stock exchange(s) the Notes are to be listed.
Rating	The Programme is expected to be rated "Baa2" by Moody's. The Issuer has been rated "Baa2" by Moody's. Notes issued under the Programme may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Taiwan and Singapore, see "*Subscription and Sale*" below. In connection with the offering and sale of a particular Series of the Notes, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement.
United States Selling Restrictions	Regulation S, Category 1 or 2 as specified in the relevant Pricing Supplement. TEFRA C or D/TEFRA not applicable, as specified in the relevant Pricing Supplement.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION OF THE ISSUER

The summary of consolidated financial information of the Issuer as of, and for, the years ended 31 December 2019 and 2020 set forth below is derived from the Issuer's audited consolidated financial statements as of, and for, the year ended 31 December 2020. Such financial information should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2020, as included elsewhere in this Offering Circular.

The audited consolidated financial statements of the Issuer as of, and for, the year ended 31 December 2020 were audited by PricewaterhouseCoopers, the auditor of the Issuer, and have been prepared and presented in accordance with HKFRS.

Consolidated statement of comprehensive income

	For the year ended 31 December	
	2019	2020
	HK$	
Investment income	1,417,834,971	7,933,179,463
Interest income	1,101,462,846	1,381,662,061
Net earned insurance premiums	259,007,237	280,163,228
Fees and commission income	244,624,882	320,450,406
Net impairment losses of financial assets	(567,862,688)	(1,346,240,614)
Net realised gains on investments measured at amortised cost	2,138,992	3,256,036
Exchange (losses)/gain	(135,016,796)	268,658,751
Other income	413,053,092	257,081,439
Total income	2,735,242,536	9,098,210,770
Gross insurance claims incurred	(428,555,193)	(414,685,423)
Reinsurer's share of gross insurance claims incurred	150,861,848	189,667,110
Commission expenses	(95,851,835)	(106,109,583)
General and administrative expenses	(286,878,508)	(354,746,082)
Depreciation and amortization	(91,750,366)	(121,615,673)
Staff costs	(508,548,709)	(512,209,376)
Finance costs	(1,387,709,497)	(1,190,933,284)
Profit before share of profit of associates	86,810,276	6,587,578,459
Share of profit of associates	4,071,048,458	3,601,823,433
Profit before tax	4,157,858,734	10,189,401,892
Income tax recovery/(expense)	16,951,408	(53,435,266)
Profit for the year	**4,174,810,142**	**10,135,966,626**
Other comprehensive income/(expense)		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income	—	(1,788,538,566)
Share of other comprehensive income of associates	—	35,643,071
Items that may be subsequently reclassified to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income		
— Change in unrealised gains/(losses), including the impact of impairment	199,894,234	(44,977,083)
— Reclassified net realised losses at fair value through other comprehensive income to profit or loss	42,131,862	22,712,493
Currency translation differences		
— Exchange difference from foreign operations	(645,555,010)	838,186,855
Total other comprehensive expense for the year, net of tax	**(403,528,914)**	**(936,973,230)**
Total comprehensive income for the year	**3,771,281,228**	**9,198,993,396**
Total comprehensive income/(expense) attributable to:		
Owner of the Company	3,771,280,552	9,198,996,051
Non-controlling interests	676	(2,655)
	3,771,281,228	**9,198,993,396**

Consolidated balance sheet

	As at 31 December	
	2019	2020
	HK$	
Assets		
Property and equipment	101,874,053	100,496,219
Right-of-use assets	132,169,235	74,361,404
Investment properties	15,750,000	15,870,000
Goodwill	133,686,488	119,134,715
Intangible assets	68,289,096	52,247,703
Investments accounted for using the equity method	18,036,444,754	25,416,596,707
Investments measured at amortised cost	5,371,430,337	8,528,145,570
Loans to associates, at cost	653,780,400	—
Loans to fellow subsidiaries and a related company, at cost	6,295,565,222	565,617,024
Loans to third parties, at cost	3,528,867,498	3,892,691,703
Financial assets at fair value through profit or loss	42,785,341,403	54,816,479,966
Financial assets at fair value through other comprehensive income	8,549,168,674	7,163,092,050
Derivative assets	843,577,654	2,351,445,440
Deferred acquisition costs	50,975,409	54,892,232
Reinsurance assets	453,945,889	514,099,692
Insurance receivables	120,104,782	157,341,656
Deferred tax assets	19,007,523	35,087,330
Taxation recoverable	36,093,038	6,202,424
Prepayments, deposits and other receivables	3,879,964,091	1,034,503,462
Amounts due from the ultimate holding company	9,553,705	4,756,979
Amounts due from fellow subsidiaries	264,978,466	224,355,247
Time deposits	219,313,527	172,280,382
Cash and cash equivalents	4,337,184,793	3,615,513,393
Total assets	**95,907,066,037**	**108,915,211,298**
Equity		
Share capital	7,085,000,000	7,085,000,000
Reserves	32,823,359,727	42,243,620,463
Non-controlling interests	116,038	113,383
Total equity	**39,908,475,765**	**49,328,733,846**
Liabilities		
Bonds payable	17,435,949,264	21,266,083,385
Interest-bearing bank and other borrowings	31,315,306,796	27,188,188,838
Lease liabilities	134,441,393	80,928,534
Deferred tax liabilities	9,977,006	22,529,760
Insurance contract liabilities	995,466,391	1,118,676,227
Reinsurers' share of deferred acquisition costs	14,588,120	13,844,475
Insurance payables	70,825,554	94,982,084
Loan from a fellow subsidiary	50,000,000	—
Tax payable	853,933	19,581,061
Derivative liabilities and other financial liabilities at fair value through profit or loss	4,597,581,971	8,707,534,679
Other payables and accruals	992,851,223	808,458,699
Premiums received in advance	145,925	122,439
Amounts due to the ultimate holding company	38,633,705	25,688,302
Amounts due to fellow subsidiaries	341,968,991	239,858,969
Total liabilities	55,998,590,272	59,586,477,452
Total liabilities and shareholders' equity	**95,907,066,037**	**108,915,211,298**

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. Each of the Issuer and the Group believes that the following factors may affect the Issuer's ability to fulfill its obligations under the Notes. Additional considerations and uncertainties not presently known to each of the Issuer or the Group or which each of them currently deems immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and each of the Issuer and the Group is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Group or which the Issuer or the Group currently deems to be immaterial, may affect the Issuer's or the Group's business, financial condition or results of operations or their ability to fulfill their respective obligations under the Notes.

Risks relating to the Group's Overall Business

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

The Group's business is inherently subject to market fluctuations and general economic conditions. Difficult operating conditions resulting from the global financial crisis in 2009 and volatile capital markets conditions had a material adverse impact on the Group's business, financial condition and results of operations. From 2009 to 2019, the global economy, the Hong Kong economy and the PRC economy generally experienced recovery and growth, although there were events that contributed to further market volatility, including trade disputes between the United States and the PRC, social unrest in Hong Kong, exit of the United Kingdom from the European Union effective from 31 January 2020 and a substantial drop in oil prices. From late 2019, the continual spread of the 2019 novel coronavirus ("**COVID-19**") has severely disrupted the PRC economy, the Hong Kong economy and the global economy. Unprecedented travel restrictions, social distancing requirements and lockdown measures imposed around the world have had various degrees of adverse impact on economic activity, liquidity of global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodity prices, investor sentiment, the availability of the cost of capital and credit, and businesses globally. It is difficult to predict the financial, economic and other impacts of the COVID-19 pandemic and whether economies will contract, remain stable or grow after the COVID-19 pandemic is contained. (See "*Risk Factors — Risks relating to the Group's Overall Business — The outbreak, or threatened outbreak, of any severe communicable disease in Hong Kong, could materially and adversely affect the Group's business and results of operations.*" and "*Risk Factors — Risks relating to the Group's Insurance Business — The demand of the Group's insurance products or services may decrease due to economic slowdowns in the PRC, Hong Kong, other markets in which the Group operates and the downturn of the global economic environment, particularly as a result of the COVID-19 pandemic, which may have a material adverse effect on the Group's business operation and financial condition.*"). Furthermore, continuing concerns over inflation, energy costs, geopolitical issues (including but not limited to trade tensions and disputes), the availability and cost of credit, unemployment, consumer confidence, declining asset values, capital markets volatility and liquidity issues have created difficult operating conditions in the past and could create difficult operating conditions in the future, any of which could have a material adverse effect on the Group's business, financial condition and results of operations, including in the following ways:

- ***Decreased sales of the Group's products.*** An economic downturn or other adverse events may result in higher unemployment levels, lower family income, decreased corporate earnings and reduced business investment and consumer spending, which could in turn significantly reduce the demand for the Group's products. In addition, the Group's ability to sell certain investment products may be materially and adversely affected by excessive volatility in global capital markets.

- ***Losses from debt securities.*** An economic downturn, market volatility or other adverse events may result in financial difficulties or default by issuers of listed debt securities and unlisted debt securities held in the Group's investment portfolios. In addition, credit spread and benchmark interest rate variations could also reduce the fair value of these debt securities. Under these circumstances, the Group may have to impair these debt securities or may recognise losses realised upon their sale. Moreover, shareholders' equity and earnings may be affected by fair value revaluations of the listed debt securities and unlisted debt securities held in the Group's investment portfolios.

- ***Loan portfolio defaults and delinquencies.*** The Group may suffer losses due to delinquencies or defaults on the loans included in its investment portfolio.

- ***Equity price declines.*** The Group may suffer declines in the value of equity securities held in its investment portfolio as a result of conditions in certain capital markets or as a result of certain economic events. The global stock markets have been extremely volatile due to the unexpected outbreak of COVID-19. There has also been significant volatility in the PRC stock markets in recent years and the PRC government taking steps to support the markets. This volatility has impacted global markets, and in particular the Hong Kong stock market. As at 31 December 2020, the Group held a 15.43 per cent. stake in Lufax Holding Ltd. ("**Lufax**") whose American depositary shares ("**ADSs**", every two ADSs representing one ordinary share of Lufax) were listed on the New York Stock Exchange (stock code: LU). Since the listing, the value of such shares fluctuated due to the reasons referred to above and there is no assurance that the value of such shares will not continue to fluctuate in the future.

  Although the United States and the PRC entered into "phase one" of an economic and trade agreement in January 2020 as an initial step towards resolving the trade disputes between them, the effect of such an agreement remains uncertain, including any long-term effect on the PRC and Hong Kong economies.

  In addition, the United States government has recently made statements and taken certain actions that may lead to changes to the United States' trade policies, including recently imposed tariffs affecting a range of products manufactured in the PRC or threatening to sanction certain companies with connections to the PRC. In response, the PRC government imposed certain counter-measures to counteract the extra-territorial application of foreign laws to Chinese persons. It is unknown whether and to what extent new tariffs or counter-tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on the global stock markets.

Any further significant falls or increased volatility may further impact global capital markets, potentially making it more difficult for the Group to access financing. The market volatility may also negatively affect consumer confidence and have an adverse impact on the wider PRC and Hong Kong economies. This may affect the value of the Group's investments and businesses. There can be no assurance that the value of equity securities in the future may not be affected by the continued weakness in the domestic stock market. The global, PRC, Hong Kong and other Asian equity markets have experienced, and may continue to experience, significant volatility and the Group may continue to suffer more investment losses.

- ***Counterparty default.*** The Group's counterparties could fail to discharge their obligations to it or the Group may be unable to secure the products or services of counterparties.

- ***Fixed interest rate liabilities.*** Declines in the value of the Group's equity and bond portfolios may result in the Group experiencing difficulties in meeting its liabilities at fixed interest rates, which could have an adverse impact on the Group's solvency position and require the Group to replenish its capital.

The Group's business, results of operations and financial condition could be adversely affected if it is unable to successfully manage its growth.

The Group's strategic objective is to achieve sustained and balanced growth across its three main business sectors, namely the asset management, investment and insurance sectors. The Group's three business sectors have experienced rapid growth in recent years. The Group's growth in the future may place significant demands on its managerial, operational and capital resources. The expansion of the Group's business activities exposes it to various challenges, including, but not limited to:

- improving and optimising synergies among its business sectors and the integrated operational back office platform;

- recruiting, training and retaining personnel with proper experience and knowledge;

- (in the case of the Group's insurance business operated by China Ping An Insurance (Hong Kong) Company Limited) meeting higher requirements for cost controls and meeting the demand for a larger capital base, as well as satisfying an ongoing need to meet the minimum solvency margin requirements stipulated by the Insurance Authority of Hong Kong (the "**IA**");

- strengthening and expanding its risk management and information technology systems; and

- increasing marketing and sales activities.

There is no assurance that the Group will manage its growth successfully.

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

Certain of the Group's businesses are capital intensive and require significant amounts of working capital to support their respective operations. The Group may require additional capital in the future in order for it to meet regulatory capital adequacy requirements relative to premiums received, remain competitive, grow its existing business, enter new businesses, pay operating expenses, conduct investment activities, meet its liquidity needs, expand its base of operations and offer new products and services. To the extent the Group's existing sources of capital are not sufficient to satisfy its needs, it may have to seek external sources. The Group's ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including:

- its future financial condition, results of operations and cash flows;
- its ability to obtain the necessary regulatory approvals on a timely basis;
- any tightening of credit markets and general market conditions for debt and equity raising activities by insurance companies and other financial institutions; and
- economic, political and social conditions in the geographical markets in which it operates and elsewhere.

However, there is no assurance that the Group will be able to obtain additional capital in a timely manner or on acceptable terms, if at all. Future financing could include terms that restrict the Group's financial flexibility or restrict its ability to manage its business freely.

The Group has substantial indebtedness and may incur substantial additional indebtedness in the future.

The Group has a substantial amount of indebtedness. The total interest-bearing bank and other borrowings of the Group as at 31 December 2020, was approximately HK$27.2 billion, representing approximately 45.63 per cent. of the total liabilities of the Group, and bonds payable of the Group as at 31 December 2020, was approximately HK$21.3 billion, representing approximately 35.69 per cent. of the total liabilities of the Group. The substantial indebtedness of the Group and incurrence of substantial indebtedness in the future could have adverse consequences to its business and financial condition, including making it more difficult for the Issuer to satisfy the obligations under the Notes and the Group to satisfy its obligations in respect of other debt increasing the Group's vulnerability to adverse general economic and industry conditions; and requiring it to dedicate a substantial portion of its cash flow to servicing and repaying its indebtedness.

In addition, while the Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flow, in view of the forthcoming maturity of approximately HK$21.3 billion of bonds payable and HK$27.2 billion interest-bearing bank borrowings due within 12 months as at 31 December 2020, there can be no assurance that the Group is able to maintain sufficient reserves of cash and readily realisable marketable securities and adequate lines of funding from major financial institutions to meet its liquidity requirements.

Further, the Group pledges assets for its bank borrowings. As the Notes are unsecured obligations, payments in respect of the Notes may be compromised if, among other things, there is a default in payment under the Issuer's secured indebtedness. (See "*Risk Factors — Risks Relating to the Notes issued under the Programme — The Notes are unsecured obligations.*")

In future, the Group may from time to time incur additional indebtedness and contingent liabilities. If the Issuer or its subsidiaries incur substantial additional debt, the risks that it faces as a result of its already substantial indebtedness and leverage could intensify. The Group's ability to generate sufficient cash to satisfy outstanding and future debt obligations, including the Issuer's obligations under the Notes, will depend upon the future operating performance of its subsidiaries and associates, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond the Group's control.

The Group may undertake investments, acquisitions, partnerships and new business lines and strategies, which may not be successful.

As part of the Group's overall strategy, it may acquire certain businesses, assets and technologies, as well as develop new products and distribution channels that are complementary to its business. For example, the Group plans to substantially expand its third-party asset management business over the next five years. Such transactions and initiatives require the Group's management to develop expertise in new areas, manage new business relationships and attract new types of customers. Furthermore, such transactions and initiatives may require significant attention from the Group's management, and the diversion of its management's attention and resources could have a material adverse effect on its ability to manage its business. The Group may also experience difficulties integrating any investments, acquisitions, distribution arrangements and/or partnerships into its existing business and operations. There is no assurance that the Group will be able to successfully implement and execute these initiatives or that it will be able to identify successful initiatives in the future. These acquisitions and business initiatives may also expose the Group to potential risks, including risks associated with:

- the integration of new business lines, operations and personnel;
- the diversion of resources from its existing business and technologies;
- the potential loss of, or harm to, relationships with employees or customers; and
- unforeseen or hidden liabilities.

There is no assurance that the Group will not need to make significant impairment provisions or allowances or incur substantial losses on its future investments.

If the Group fails to successfully identify or undertake future investments, acquisitions, partnerships and new business lines and strategies, it may experience a material adverse effect on the Group's business, financial condition and results of operations.

If the Group's role in the Ping An Group (as defined below) changes, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group functions as a wholly-owned offshore financing and investment platform of the Company (as defined elsewhere in this Offering Circular) and its subsidiaries (together, the "**Ping An Group**"), and has historically received financial and operational support from the Ping An Group. The Group's management team and the board of directors of the Issuer are also entirely appointed by the Ping An Group. There is no assurance that the Group's role within the Ping An Group will not change, or that such support will always continue or not be reduced. In the event that the Group's role changes within the Ping An Group or if the Ping An Group reduces its support to the Group because of a slowdown in the growth of the PRC economy, the business of the Ping An Group or any constraints resulting from controls by regulators on cross-border capital flows or otherwise, the Group's financial condition and results of operations may be materially and adversely affected.

The Group depends on its management and actuarial personnel as well as dedicated sales agents, and could be materially and adversely affected by the loss of their services.

The Group depends on the continued service of its senior management members, skilled actuarial and other personnel. The Group's business could suffer if it loses the services of any of these personnel and cannot adequately replace them. In particular, the Group may be required to substantially increase the number of such employees in connection with its future growth plans, and there is intense competition for their services in Hong Kong. There is no assurance that the Group will be able to retain its present personnel or attract additional qualified personnel as and when needed. In addition, the Group may need to increase employee compensation levels in order to retain its existing officers and employees and attract any additional personnel it may require.

The Group also depends to a significant extent on sales agents to distribute its insurance and other products. Intense competition exists for dedicated sales agents with demonstrated ability and the Group competes to attract and retain dedicated sales agents to distribute its products. The Group competes for these agents with other companies primarily on the basis of reputation, brand name, products, compensation and retirement benefits, training, support services and financial position. While the Group has undertaken, and expects to continue to undertake, various initiatives and measures to retain and attract its agents, there is no assurance that these initiatives will succeed in attracting new agents or retaining existing agents. Sales and persistency in the Group's businesses, as well as its financial condition and results of operations, could be materially and adversely affected if the Group is unsuccessful in attracting and retaining these sales agents.

The Group's risk management and internal control systems may not be adequate or effective in all respects and could materially and adversely affect its business and results of operations.

The Group seeks to establish risk management and internal control systems consisting of organisational frameworks, policies, procedures and risk management methods that are appropriate for its business operations. The Group also seeks to continue to improve these systems, for instance, in making solid progress in the strategy and development of the internet finance business and strengthening the credit risk management of alternative assets. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, there is no assurance that the Group's risk management and internal control systems will be able to identify, prevent and manage all risks. As a result, the Group may need to establish and implement additional risk management and internal control policies and procedures to further improve its systems from time to time.

The Group implements its risk management and internal controls by using a series of risk management methods. However, these methods also have their inherent limitations as risk management methods are generally based on statistical analysis of historical data as well as assumptions that risks in future periods share similar characteristics as risks in past periods. There is no assurance that such assumptions are always reliable. In addition, although the Group has established what it believes to be an advanced information technology system and has the benefit of industry and company data accumulated in its operations, the Group's information technology systems may not be adequate in the collection, analysis and processing of these data, and its historical data and experience may not be able to adequately reflect risks that may emerge from time to time in the future. As a result, the Group's risk management methods and techniques may not be effective in directing it to take timely and appropriate measures in risk management and internal controls.

Any significant failure in the Group's information technology systems, including its management information systems, could have a material adverse effect on its business and profitability.

The Group's business is highly dependent on the ability of its information technology systems to timely process a large number of transactions across numerous and diverse markets and products at a time when transaction processes have become increasingly complex and the volume of such transactions are growing at a significant rate. The proper functioning of the Group's financial control, accounting, customer database, customer service and other data processing systems, including those relating to underwriting and claim processing, together with the communication systems between the Group's various branch offices and its main information technology centres, is critical to its business and to its ability to compete effectively. Although the Group has a backup data centre that could be used in the event of a catastrophe or a failure of its primary system, and has established alternative communication systems where available, there is no assurance that business activities would not be materially disrupted in the event of a partial or complete failure of any of these primary information technology or communications systems, which could be caused by, among others, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, a prolonged failure of the Group's information technology systems could damage its reputation and materially and adversely affect its future prospects and profitability.

The Group's business is extensively regulated and changes in laws and regulations may reduce its profitability and limit its growth.

The Group is subject to laws, rules and regulations that regulate all aspects of its three main business sectors, namely asset management, investment and insurance. For example, the Group's business in asset management is extensively regulated by the Securities and Futures Commission of Hong Kong (the "**SFC**") and the Group's general insurance business, including statutory insurance and acceptance of reinsurance, is extensively regulated by the IA. Each of these regulators have been given wide discretion in their administration of these laws, rules and regulations as well as, if necessary, the authority to impose regulatory sanctions on relevant members of the Group. Compliance with applicable laws, rules and regulations may restrict the Group's business activities and require it to incur increased expense, restate or write down the value of its assets or liabilities, and to devote considerable time to such compliance efforts. Failure to comply with any of the applicable laws, rules and regulations (or increased enforcement of previously unenforced rules and regulations) could result in fines, restrictions on business expansion or, in extreme cases, revocation of business licenses, which could materially and adversely affect the Group's business, liquidity, financial condition and results of operations.

In addition, the laws, rules and regulations under which the Group is regulated may change from time to time. Starting from 23 September 2019, the IA has taken over regulation from the three self-regulatory organisations, and will become the sole independent insurance regulator in Hong Kong at the end of the transitional period of three years after commencement of the new regime. New provisions under the Insurance Ordinance (Cap. 41) of Hong Kong and other rules, codes and guidelines have been introduced since then. There is no assurance that future legislative or regulatory changes, including deregulation, by the IA or other regulators, would not have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to the regulatory oversight of a number of financial services, insurance, securities and related regulators, such as the IA and the SFC. Collectively, these regulators oversee the Group's operations in each of the financial service markets in which it operates and, as a result of this broad oversight, the Group is occasionally subject to overlapping, conflicting or expanding regulation. These regulators, some of which are governmental entities, have broad authority over the Group's business, including its ownership and shareholding structure, capital, solvency and reserving requirements, investment portfolio allocations, the Group's ability to declare dividends and other distributions, expand its operations, enter certain lines of business and markets, offer new products, underwrite certain risks, price its products profitably and enter into certain distribution and outsourcing arrangements. In addition, there could be a substantial increase in government regulation and supervision of the financial services and insurance industries in the future. There is no assurance that any regulatory or government action would not have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, there has been a global trend in recent years towards the adoption of a risk-based approach to insurance supervision in order to strengthen the protection of policyholders. This features implementation of a risk-based capital ("**RBC**") framework which takes into account different risk factors when assessing the capital adequacy of an insurer. In 2011, the International Association of Insurance Supervisors, the global standard-setter for the insurance industry, issued the new Insurance Core Principles which place more emphasis on risk-based supervision on both quantitative and qualitative aspects. All member superiors around the world, including the IA, are obliged to observe the new Principles. To align with the international standards, Hong Kong has planned to move towards the RBC regime from the current rules-based regime. It is proposed that the framework will comprise three pillars (Pillar 1: quantitative requirements; Pillar 2: qualitative requirements; and Pillar 3: disclosure and transparency requirements) and will be introduced on a phased basis; the next step being the development of detailed rules.

In preparation for the implementation of the RBC regime in Hong Kong by 2022, the IA has already conducted the third round of quantitative impact studies in August 2019, and will carry out a further consultation on the detailed rules in 2021.

The Group has not yet determined the impact of the new regulations, if any, on its business as a whole in the long term, although it is possible that it could affect the profitability of its products. In order to comply with applicable solvency and capital requirements, or future changes to these requirements, the Group may need to raise or inject additional capital to meet the Group's solvency and capital requirements, which may impact the profit return of the Group's shareholders. The Group may also need to change the Group's business strategy, including the types of products it sells and how the Group manages its capital. Furthermore, compliance with solvency and capital requirements may require the Group to slow the growth of its business. In addition, the failure to make such adjustments to comply with solvency requirements may affect the Group's reputation or financial strength which could in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may not be able to 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 laws, antiterrorism laws and other regulations in Hong Kong and overseas. The relevant anti-money laundering laws and regulations in Hong Kong require the Group to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities.

The Group's existing policies and procedures for the detection and prevention of money laundering activities and terrorism-funding activities through its business subsidiaries may not completely eliminate instances in which the Group may have been used by other parties to engage in money laundering and other illegal or improper activities. In the event that the Group fails to fully comply with applicable laws and regulations, the relevant government authorities may freeze the Group's assets or impose fines or other penalties on the Group. The Group cannot assure investors that there will not be failure in detecting money laundering, terrorism funding or other illegal or improper activities which may adversely affect the Group's business, reputation, financial condition and results of operations.

The Group's business is subject to various PRC laws, regulations and government policies.

The Group is an overseas investment platform for the Ping An Group and manages a substantial part of the Ping An Group's overseas investments. It is also responsible for sourcing and managing offshore non-capital markets investments for its fellow subsidiaries of the Ping An Group. In addition, the Group is the offshore financing platform for the Ping An Group. The Group's business is therefore subject to various PRC laws, regulations and government policies and changes in PRC laws, regulations and government policies may have an impact on Hong Kong businesses, including the Group's businesses in Hong Kong. For example, constraints resulting from controls by PRC regulators on cross-border capital flows will make it more difficult or costly for the onshore subsidiaries of the Ping An Group to undertake offshore investments or raise offshore capital and this may materially affect the Group's business. Further, changes to the regulations and policies promulgated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**") and the National Development and Reform Commission (the "**NDRC**") may restrict the Ping An Group's ability to carry out investment activities and this may in turn impact on the Group's business.

An actual or perceived reduction in the Group's financial strength, or a downgrade in its credit ratings, could have a material adverse impact on the Group's business and results of operations.

Policyholders' and the other customers' confidence in the financial strength of the Group, as well as in the financial services industry generally, is an important factor affecting the Group's business. Any actual or perceived reduction in the Group's financial strength, whether due to a credit rating downgrade, a reduction in the Group's solvency margin, or other factors, could materially and adversely affect the Group's business because any such development may, among other things:

- damage the Group's relationships with its creditors, its customers and the distributors of its products;
- negatively impact new sales of its products;
- require the Group to reduce prices for many of its products and services to remain competitive;
- adversely impact the Group's ability to obtain reinsurance on acceptable terms; and
- increase the Group's borrowing costs as well as affect its ability to obtain financing on a timely basis.

There is no assurance that the Group will not experience reductions in its financial strength, actual or perceived, in the future.

The Group will be exposed to various risks as the Group expands its range of products and services.

The Group has expanded and intends to continue to expand its products and services to customers. The Group's expansion of the range of its products and services has and will expose it to new and potentially increasingly challenging risks, including the following:

- its experience and expertise in managing and commercialising the new products and services;
- its ability to recruit additional qualified staff;
- its ability to provide satisfactory customer service, such as providing sufficient products and service information and handling of customer complaints;
- acceptance of its new products by customers;
- its ability to establish an effective management team or to enhance its risk management systems and information technology system to support a broader range of products and services;
- its ability to obtain or maintain regulatory approval for its new products and services;
- its ability to identify all potential risks associated with its products and services; and
- its ability to respond to the actions of its competitors, or developments in the insurance and asset management industries, which may render the Group's new products and services obsolete or uneconomical.

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

Estimated synergies set out in this Offering Circular may not be achieved or may be offset by competing commercial considerations.

The Group believes that it can achieve synergies across its asset management, investment and insurance businesses. However, there is a risk that these synergy benefits may fail to materialise, are materially lower than have been estimated, or may take longer or cost more to achieve, which could have a significant impact on the profitability of the Group going forward.

Furthermore, synergies may be offset by competing commercial considerations. For example, the Group may have a smaller than anticipated number of customers who can realistically be targeted with cross-selling activities. It is possible that certain customers may not want one single corporate group managing all of its insurance and asset management matters. In addition, the Group's individual lines of businesses are subject to obligations to protect the personal data and information of its customers and, for confidentiality reasons, may not be able to share such information with other businesses within the Group. Such competing commercial considerations may offset the extent of synergies realised or the net benefits to the Group.

Agent, employee and distribution partner misconduct is difficult to detect and deter and could harm the Group's reputation or lead to regulatory sanctions or litigation against it.

Agent, employee or distribution partner misconduct could result in violations of applicable laws, regulatory sanctions, litigation or serious reputational or financial harm. Such misconduct could include:

- binding the Group to transactions that exceed authorised limits;
- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential information or conducting front-running or market manipulation trades;
- making illegal or improper payments;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products or engaging in the sale of fraudulent products not offered by the Group;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group may not always be able to deter agent, employee or distribution partner misconduct, and the precautions it takes to prevent and detect these activities may not be effective in all cases. If the Group is unable to detect and deter any such misconduct, the Group could suffer harm to its reputation, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects. This may even lead to regulatory sanctions or litigation against the Group.

The Group faces a significant risk of litigation, regulatory investigations and similar actions in the ordinary course of its business.

The Group faces a significant risk of litigation, regulatory investigations and similar actions in the ordinary course of its business, including the risk of lawsuits and other legal actions relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. Any such action may include claims for substantial or unspecified compensatory and punitive damages, suspension of licences or restriction on the ability of the Group to conduct its business, as well as civil, regulatory or criminal proceedings against the Group's directors, officers or employees, and the probability and amount of liability, if any, may remain unknown for significant periods of time. The Group is also subject to various regulatory inquiries, such as information requests and books and records examinations, from regulators and other authorities in the geographical markets in which the Group operates.

A substantial liability arising from a lawsuit, judgment or a significant regulatory action against the Group or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's directors, officers or employees could have a material adverse effect on its liquidity, business, financial condition and results of operations. Moreover, even if the Group ultimately prevails in any litigation, regulatory action or investigation, it could suffer significant harm to its reputation, which could materially affect the Group's prospects and future growth, including its ability to attract new customers, retain current customers and recruit and retain employees and agents.

The Group is dependent on maintaining its reputation in Hong Kong and is exposed to reputational risks.

The Group is dependent on maintaining its reputation in Hong Kong in order to maintain and grow its businesses. The Group's reputation is an important asset of its businesses and central to the Group's success. The Group is exposed to the risk that litigation, misconduct, operational failure, negative publicity or press speculation, whether or not valid, could harm its reputation. The Group's reputation could also be adversely affected if its products or services do not perform as expected. In addition, the Group's reputation could be affected by the conduct or performance of third parties over which it has no control. The Group is also exposed to adverse publicity relating to the insurance industry as a whole. An incident related to the Group or the conduct of a competitor unrelated to the Group may taint the reputation of the industry as a whole and may affect the perception of customers, investors and the attitude of regulators. Furthermore, negative publicity may result in greater regulatory scrutiny of the Group's operations and of the industry generally. If the Group is unable to maintain its reputation in the jurisdictions in which it operates or should there be reputational damage to the insurance industry as a whole, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be subject to liability and regulatory action if it is unable to protect personal and other confidential information.

Various laws, ordinances, rules and regulations impose obligations on the Group, including in terms of its asset management, investment and insurance businesses, to protect the personal data and information of the customers of these businesses. The relevant authorities may issue sanctions or orders against the Group if the Group fails to protect the personal information of its customers, and the Group may have to provide compensation for economic loss and emotional distress arising from a failure to protect personal information in accordance with the relevant laws and regulations. In addition, incidents of mishandling personal information or failure to otherwise protect confidential information could create a negative public or client perception of the Group's operations or its brand, which may in turn harm customer and market confidence in the Group and materially and adversely affect the Group's business, results of operations and financial condition.

The outbreak, or threatened outbreak, of any severe communicable disease in Hong Kong, could materially and adversely affect the Group's business and results of operations.

The outbreak, or threatened outbreak, of any severe communicable disease (such as Severe Acute Respiratory Syndrome, Ebola virus disease, Middle East Respiratory Syndrome coronavirus, H5N1 avian flu, the human swine flu (also known as Influenza A (H1N1)), H7N9 avian flu or COVID-19) in Hong Kong could materially and adversely affect the overall business sentiment and environment in Hong Kong, particularly if such outbreak is inadequately controlled. Since December 2019, the outbreak of COVID-19 has widely affected Hong Kong and most of the countries in the world, with the World Health Organisation declaring COVID-19 a "pandemic" in March 2020. This resulted in the imposition of restrictions on travel, prolonged closures of workplaces and entertainment venues, and a ban on crowd gatherings in public places in Hong Kong. This, in turn, could materially and adversely affect domestic consumption, labour supply and, possibly, the overall gross domestic product ("**GDP**") growth of Hong Kong. The Group's revenue is currently derived mainly from its Hong Kong operations, and any labour shortages on contraction or slowdown in the growth of domestic consumption in Hong Kong materially and adversely affect its 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 operations at the relevant premises 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 Hong Kong may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition, and results of operations. (See "*Risk Factors — Risks relating to the Group's Overall Business — The Group's business is inherently subject to market fluctuations and general economic conditions.*" and "*Risk Factors — Risks relating to the Group's Insurance Business — The demand of the Group's insurance products or services may decrease due to economic slowdowns in the PRC, Hong Kong, other markets in which the Group operates and the downturn of the global economic environment, particularly as a result of the COVID-19 pandemic, which may have a material adverse effect on the Group's business operation and financial condition.*")

If the Group cannot effectively respond to the increasing competition, its profitability and market share could be materially and adversely affected.

In respect of the Group's asset management business, the Group competes primarily with fund management companies, banks, insurance companies and other financial institutions in Hong Kong and in the region. In respect of the Group's investment activities, the Group competes primarily with securities firms that are qualified to conduct direct investment business and private equity firms in Hong Kong and in the region. In respect of the Group's insurance business, the Group competes primarily with both domestic and foreign-invested general insurance companies. Some of the Group's competitors may have advantages over it in one or more areas, such as financial strength, management capabilities, resources, operating experience, market share, distribution channels and capabilities in pricing, underwriting and claims settlement.

The Group's competitiveness depends on a number of factors, including its:

- brand name and reputation;
- product mix and features;
- scope of distribution and cooperative arrangements;
- quality of service;
- risk management and internal controls;
- pricing techniques and prices;
- investment performance and perceived financial strength;

- ability to innovate; and
- claims settlement ability.

A decline in the Group's competitive position as to one or more of these factors may materially and adversely affect its results of operations, financial condition and business prospects.

The imposition of new accounting standards could impact the Issuer.

The HKICPA has from time to time issued a number of new and revised HKFRS, Hong Kong Accounting Standards and interpretations. In addition, interpretations on the application of the HKFRS will continue to develop. These factors may require the Issuer to adopt new accounting policies. The adoption of new accounting policies or new HKFRS could have a significant impact on the Issuer's financial position or results of operations.

Risks relating to the Group's Investment Business

The Group may incur significant losses on its investments, which may cause its investment income to decrease, and could have a material adverse effect on its financial condition and results of operations.

The Group's investment returns, and thus its profitability, may be adversely affected from time to time by conditions affecting its specific investments and, more generally, by market fluctuations, as well as general economic, market and political conditions in the jurisdictions in which it operates. In particular, the Group's ability to make a profit on its products depends in part on the returns on investments supporting its obligations under these products, and the value of specific investments may fluctuate substantially. The Group's investment income may be affected by decreases in the fair value of equity investments, as well as fluctuations in realised gains and losses on the sale of investments, resulting from movements in market interest rates, unfavourable conditions in the Hong Kong, the PRC and the global securities markets and other factors. Future movements in market interest rates, unfavourable conditions in the Hong Kong, the PRC and the global securities markets or other factors may cause the Group's investment income to decrease significantly, and could have a material adverse effect on its financial condition and results of operations. (See "*Risk Factors — Risks relating to the Group's Overall Business — The Group's business is inherently subject to market fluctuations and general economic conditions.*")

Concentration of the Group's investment portfolio in any particular asset class, market or segment of the economy may increase its risk of suffering investment losses.

The Group has significant credit exposure to corporate issuers. The Group also has significant risk exposure to banking and other financial institutions. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a greater negative effect on the Group's investment portfolio to the extent that its portfolio is concentrated. These types of concentrations in the Group's investment portfolio increase the risk that, in the event that the Group experiences a significant loss in any of these investments, its financial condition and results of operations would be materially and adversely affected.

In addition, there may not be a liquid trading market for certain types of the Group's investments, which is affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. Due to the size of some of the Group's fixed income investment holdings, relative to the size and liquidity of the relevant market, the Group's ability to sell certain securities without significantly depressing market prices, or at all, may be limited. If the Group is required to dispose of these or other potentially illiquid assets on short notice, it could be forced to sell such assets at prices significantly lower than the prices it has recorded in its consolidated financial information.

The Group is subject to credit risk from its investment counterparties, including the issuers or borrowers whose securities or loans it holds.

Issuers or borrowers whose securities or loans the Group holds may default on their obligations to the Group. The Group's investment portfolio includes investments in the financial services sector and other market sectors that have recently experienced significant price fluctuations and defaults. Action, such as investment, nationalisation and other intervention, by governments and regulatory bodies in response to financial and other crises could negatively impact these instruments, securities, transactions and investments. Moreover, certain portions of the Group's investment portfolio may not be rated by independent parties and this may affect the Group's ability to evaluate the risks of these investments. Defaults on the Group's investment securities or governmental actions involving the issuers of such securities may have a material adverse effect on the Group's financial condition and results of operations, as well as its liquidity and profitability.

In addition, there is no assurance that the Group will not suffer losses due to defaults from certain counterparties related to its investment activities, such as trading counterparties, counterparties under swaps and other derivative contracts and other financial intermediaries and guarantors. Any such losses may have a material adverse effect on the Group's financial condition and results of operations, as well as its liquidity and profitability.

Defaults on the Group's debt investments may materially and adversely affect its profitability and financial position.

A substantial portion of the Group's financial assets at fair value through profit or loss as of 31 December 2020 were comprised of listed and unlisted debt securities. In addition, a significant portion of the Group's financial assets at fair value through other comprehensive income as at 31 December 2020 were comprised of listed debt securities which amounted to approximately HK$5.2 billion. Debt securities held by the Group are also held at amortised costs. The issuers whose debt securities are held by the Group may fail to pay or otherwise default on their obligations due to bankruptcy, a lack of liquidity, a downturn in the economy, operational failures or other reasons. Losses due to these defaults could reduce the Group's profitability and may have a material adverse effect on the Group's financial position, financial condition and results of operations, as well as the Group's liquidity and profitability.

The Group is exposed to liquidity risk for certain of its investments.

There may not be a liquid trading market for certain of the Group's investments such as any unlisted debt securities, unlisted funds and unlisted equity instruments held by the Group. The liquidity of trading markets and these investments are affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. Such factors may affect the Group's ability to sell certain securities without significantly depressing market prices. If the Group is required to dispose of these or other potentially illiquid assets on short notice, it could be forced to sell such assets at prices significantly lower than the prices as recorded in the Group's consolidated financial statements, which may have a material adverse effect on the Group's business, financial condition and results of operations.

Increases in the amount of allowances and impairments taken on the Group's investments could have a material adverse effect on its financial condition and results of operations.

The Group assesses the carrying amount of its financial assets to determine whether an allowance for impairment should be recorded in its financial statements in accordance with HKFRS. Such determination varies by investment type and is based upon the Group's periodic evaluation and assessment of known and inherent risks associated with the respective asset classes. These evaluations and assessments are revised as conditions change and new information becomes available. The determination of the amount of allowances and impairments to be taken on the Group's investment assets may require complex and subjective judgments. The Group cannot make any assurances that its management's best estimates reflect actual losses that it will ultimately incur on these investments, that historical trends will be indicative of future impairments or allowances or that it will not be required under future accounting standards to change the amounts of allowances and impairments of its investments.

The Group has significant investments and financing outside Hong Kong denominated in foreign currencies and is susceptible to foreign currency risk.

The Group has significant investments and financing outside Hong Kong denominated in U.S. dollars, Renminbi, Singapore dollars, sterling, euro, yen and Australian dollars for the year ended 31 December 2020. The Hong Kong dollar is pegged to the U.S. dollar and therefore there is no significant currency risk arising from the financial assets and liabilities denominated in U.S. dollars. As a result, the Group's consolidated statement of financial position can be affected significantly by movements in the Renminbi, Singapore dollar, sterling, euro, yen and Australian dollars exchange rates. There is no assurance as to how and to what extent the exchange rates of such currencies will fluctuate against the Hong Kong dollar or any other foreign currency in the future.

The valuations of the Group's financial assets at fair value through profit or loss contain certain assumptions that may not materialise or prove to be accurate and may fluctuate from time to time.

The Group's financial assets at fair value through profit or loss are inherently difficult to value. Valuations are subject to subjective judgments and are made on the basis of assumptions which may not necessarily materialise. Additionally, inspections of the Group's financial assets at fair value through profit or loss and other work undertaken in connection with a valuation exercise may not identify all deficiencies and factors that could affect the valuation. There can be no assurance that the Group's investment in its financial assets at fair value through profit or loss will be realised at the valuations recorded or reflected in its financial statements or in this Offering Circular. The Group applies fair value accounting for all its financial assets at fair value through profit or loss. The value of the financial assets at fair value through profit or loss in the Group's portfolio may fluctuate from time to time due to market and other conditions and are also based on certain assumptions which, by their nature, are subjective and uncertain, and may differ materially from actual results. There is no assurance that the Group's financial assets at fair value through profit or loss will retain the price at which they may be valued or that the Group's investment in such financial assets at fair value through profit or loss will be realised at the valuations it has recorded or reflected in its financial statements, and the price at which the Group may sell any part or the whole of the financial assets at fair value through profit or loss may be lower than the valuation for those financial assets at fair value through profit or loss. Such adjustments to the fair value of the financial assets at fair value through profit or loss in the portfolio could have an adverse effect on the Group's net asset value and profitability.

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

The Group provides financing to companies through various fixed income investments. In respect of these fixed income investments, the Group has established a systematic financial investment risk management system. In particular, business review and legal review departments of various levels will conduct an independent review for each case, and business review committees of various levels will conduct an independent review and discussion for each case. The personnel of the relevant projects shall carry out ongoing evaluations and post-investment management in respect of the investment projects. 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 macro-economic, legal and regulatory and operating environment. If the operating conditions of these investee companies experience material deterioration which is outside of the Group's anticipation, the Group may not be able to recover the principal amount of the foregoing fixed income investments and the returns thereof as scheduled, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's private equity investments are affected by factors beyond its control, which could have a material adverse effect on its business, financial condition and results of operations.

The Group's private equity investments involves making an accurate investment decision which requires the Group to carefully identify and select a target company based on its 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 the Group to mistakenly estimate the value of the target company and affect its ability to make profit from such investments. In addition, the Group's undertaking 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 has limited control over the companies in which it has invested. As a result, the Group may not be able to influence the business decisions of its investee companies, which could prevent the Group from profiting from such investments as anticipated. In addition, the Group's private equity investment portfolio companies may fail to meet their obligations under the agreements entered into with the Group, which could result in deterioration in the value of its investments. In such cases, the business, financial condition and results of operations of the Group's investment business could be materially and adversely affected.

The Group's private equity portfolio companies may take a longer time than it expects to become suitable for public listing or for the Group to achieve exit through other means. In addition, the Group's returns on private equity investments are affected by the macroeconomic environment. Even in the case of successful public listings, the Group may be unable to exit its investments at desirable prices or within the time period as it anticipated. If the Group cannot exit during the planned investment period, its investment returns will continue to be exposed to market risks, and the Group may be unable to achieve the expected returns.

Risks relating to the Group's Asset Management Business

Limited track record of recurring earnings from the Group's asset management business.

Although asset management is one of the Group's principal activities, recurring earnings from asset management fees have been negligible over the past few years. Fees and commission income earned by the Group for the year ended 31 December 2020 was approximately HK$320.45 million and for the year ended 31 December 2019 was approximately HK$244.62 million, which accounted for only 3.52 per cent. and 8.94 per cent., respectively, of the total income of the Group for the relevant period. While the Group plans to substantially expand its third-party asset management business over the next three to five years in order to help improve the Group's recurring earnings, there is no assurance as to the pace of growth of its third-party asset management business and consequently fees and commission income earned by the Group may not increase significantly, if at all.

A portion of the Group's revenue and income is derived from its asset management business which will be adversely affected if the performance of the funds which it manages deteriorates.

The Group conducts its asset management business principally through Ping An of China Asset Management (Hong Kong) Company Limited ("**Ping An Asset Management HK**") and Ping An Overseas Investment Management Company Limited. Ping An Asset Management HK is currently responsible for the management of certain insurance funds of the Ping An Group (the "**Managed Insurance Funds**"). Ping An Overseas Investment Management Company Limited is currently the advisor of some of the existing private funds operated by the Group (the "**Managed Third Party Funds**" and together with the Managed Insurance Funds, the "**Managed Funds**"). Other third parties funds are managed by their respective general partners or their board. The Group's revenues from the management of each of these Managed Funds generally comprise management fees, advisory fees and commissions. A decrease in the values of some of the assets held or the gross revenue and net incomes would result in a corresponding decrease in such fees. Any condition which might have a material adverse effect on the operating performance or financial condition of the Managed Funds, or termination of the Group's management or advisory services, could materially reduce its revenue derived from managing these Managed Funds.

Pursuant to certain CBIRC regulatory requirements, contracts for the provision of fund management services to the Managed Insurance Funds shall not have a duration of longer than three years. Accordingly, the Group's contracts for the provision of fund management services to the Managed Insurance Funds are normally renewed annually. The Group's existing contracts for the provision of fund management services to the Managed Insurance Funds are until 31 December 2021 unless the Group resigns or is removed as manager. Normally, the Managed Insurance Funds also provide that the Group's fund management services may be terminated generally if the Group is disqualified by the CBIRC or other authorities to carry out overseas investment business or upon 90 days' notice for any reason. On the other hand, the Group's existing contracts for the provision of fund management services to the Managed Third Party Funds are for the life of the relevant Managed Third Party Fund unless the Group resigns or is removed as manager. The Managed Third Party Funds also provide that the Group's fund management services may be terminated generally as a result of the manager's material violation of the provisions of the applicable agreement, the redemption of all the units of the relevant Managed Third Party Fund, illegality or upon certain number of days' prior written notice. In the event that the Group's services are terminated prior to the expiry of the applicable contract, or the Group is removed as a manager in accordance with the terms of the applicable contracts or applicable law, or (in the case of the Managed Insurance Funds) the Group is unable to renew contracts that have expired, and on terms that are commercially reasonable to the Group, this would adversely affect the Group's business, financial condition, results of operations and prospects.

The exchange traded funds managed by the Group, which are index-tracking funds, are subject to concentration risk which in turn may adversely impact the revenue and income derived from the management of such exchange traded funds.

The exchange traded funds, which are index-tracking funds, are subject to concentration risk as a result of tracking the performance of companies whose operations and business are primarily from a single region (i.e. the PRC and Hong Kong). Changes in political, economic and social conditions in the region could adversely affect the value of the investment return which in turn may compromise management fees and commissions earned by Ping An Asset Management HK from the management of such exchange traded funds.

The Ping An of China SIF — RMB Bond Fund (the "RMB Bond Fund") is subject to certain investment risks which in turn may impact on the revenue and income derived from the management of the RMB Bond Fund.

The RMB Bond Fund is a Hong Kong authorised unit trust which principally invests in RMB denominated fixed income instruments which may rise and fall in value within a short period of time. Any adverse effect on the value of the investment return may in turn compromise management fees and commissions earned by Ping An Asset Management HK from the management of the RMB Bond Fund. In particular, the RMB Bond Fund is subject to the following risks:

- ***RMB currency risk.*** RMB is not a freely convertible currency and is subject to foreign exchange control policies and restrictions on the repatriation of funds out of Mainland China. There is no guarantee that RMB will not depreciate. There is a limitation on the daily conversion amount of RMB in Hong Kong and this may have an adverse effect on the return for investors.

- ***Credit risk of counterparties.*** The RMB Bond Fund is exposed to the credit/insolvency of the issuers of the RMB denominated fixed income instruments and bank deposits. RMB denominated fixed income instruments that the RMB Bond Fund invests in may or may not be of investment grade. The RMB Bond Fund is fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

- ***Interest rate risk.*** An increase in interest rates may adversely affect the value of the RMB denominated fixed income instruments held by the RMB Bond Fund, causing the RMB Bond Fund to suffer a loss in its investments if it disposes of the RMB denominated fixed income instruments before their maturity.

- ***Risk of limited pool of investments.*** The quantity of RMB denominated fixed income instruments issued or distributed outside the PRC that is available for the RMB Bond Fund is currently limited. The RMB Bond Fund may hold a significant portion of assets in bank deposits if there are insufficient RMB denominated fixed income instruments for the RMB Bond Fund to invest in. This may adversely affect the RMB Bond Fund's return and performance.

- ***Liquidity risk.*** For RMB denominated fixed income instruments issued or listed outside the PRC, there may not be an active secondary market. Ping An Asset Management HK may have to liquidate such investments at a discount to meet redemption requests. The bid and offer spread of the price of RMB denominated fixed income instruments may be large, so the RMB Bond Fund may incur significant trading and realisation costs and may suffer losses when selling such investments.

Some or all of the above risks may adversely affect the value of the investment return of the RMB Bond Fund which may in turn compromise management fees and commissions earned by Ping An Asset Management HK from the management of the RMB Bond Fund.

Asset management is subject to significant regulation and supervision by the regulatory authorities in certain jurisdictions, and compliance failures and changes in regulation could adversely affect the Group.

The asset management industry is subject to significant regulation and supervision by regulatory authorities in certain jurisdictions. The Group may also be adversely affected if new or revised legislation or regulations are enacted, or if there are changes in the interpretation or enforcement of existing rules and regulations that apply to the Group. Such events could increase the Group's costs of conducting its asset management business, require the Group to restructure the way in which it carries on its asset management business, or render the Group unable to continue all or part of its asset management business, which in turn could adversely affect the Group's business, financial condition, results of operations and prospects.

Despite the Group's efforts to comply with applicable regulations, there are a number of associated risks, particularly in areas where applicable regulations may be unclear or where regulators subsequently revise their previous guidance. Material incidents of non-compliance may subject the Group to penalties or restrictions on its business activities. There is no assurance that the Group will be able to meet all the disciplinary actions, including, among other things, limitations or prohibitions on its future business activities, which may limit its ability to launch new businesses and harm its reputation, and consequently materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Risks relating to the Group's Insurance Business

Interest rate fluctuations may materially and adversely affect the Group's profitability.

Investment returns of the Group's insurance business are exposed to fluctuations in interest rates. A substantial portion of the Group's investment assets are in interest-bearing investments.

Owing to the COVID-19 pandemic, market interest rates have declined significantly, with the 10-year United States Treasury bond falling below 1.00 per cent. for the first time on 3 March 2020. Governments and central banks around the world have implemented or are planning to implement fiscal and monetary stimulus measures to contain the economic impact of the COVID-19 pandemic, stabilise the markets and provide liquidity easing to the markets. In the United States, the Federal Open Market Committee ("**FOMC**") reduced the target federal funds rate by 50 basis points to the range of 1.00 per cent. to 1.25 per cent. on 3 March 2020. Subsequently, on 16 March 2020, the FOMC further reduced the target federal funds rate by an additional 100 basis points, to the range of 0.00 per cent. to 0.25 per cent.. However, there can be no assurance that such already implemented or to be implemented measures will be effective and market interest rates may continue to experience volatilities.

During periods of declining interest rates, the Group's average investment yield will decline as the Group's maturing investments, as well as bonds and loans that are redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments with lower yields and coupon payments. As a result, the decline in interest rates would reduce the Group's return from investments of capital, which would adversely affect its profitability, regardless of whether such investments are used to support particular insurance policy obligations.

Changes in interest rates could also adversely affect the Group's solvency levels and capital position. Insurance companies are generally required by the applicable Hong Kong law to maintain their solvency at a level in excess of statutory minimum standards, and changing interest rates could adversely impact the Group's ability to comply with these standards.

If the Group cannot obtain capital in a timely manner to satisfy the regulatory requirements regarding solvency margin, the authorities may impose regulatory sanctions on the Group, which may have a material adverse effect on its business and results of operations.

The Group, through China Ping An Insurance (Hong Kong) Co., Ltd., is subject to the IA regulations regarding the maintenance of solvency margin. If the Group's solvency margin does not satisfy the relevant requirements, the IA may impose a range of regulatory sanctions depending on the degree of deficiency in its solvency margin.

The current framework as at the date of this Offering Circular is a rules-based capital adequacy framework. While the Group's solvency ratio is currently above the regulatory requirement, if the Group continues to grow rapidly in the future, the Group may need additional capital to improve its solvency margin if its profits are not sufficient to support its business growth. In addition, the regulatory regime governing solvency margin is subject to change, which may lead to stricter requirements on the Group's capital base. There is no assurance that the Group will be able to obtain additional capital in a timely manner or on acceptable terms, or at all. Any failure of the Group to meet the solvency margin requirements may have a material adverse effect on its business and results of operations.

The demand of the Group's insurance products or services may decrease due to economic slowdowns in the PRC, Hong Kong, other markets in which the Group operates and the downturn of the global economic environment, particularly as a result of the COVID-19 pandemic, which may have a material adverse effect on the Group's business operation and financial condition.

The COVID-19 pandemic has adversely affected the general economic conditions in the PRC, Hong Kong, the other markets in which the Group operates and the global economic environment, and may cause global economies to fall into recession. This may affect demand for the Group's insurance products and services. For instance, the tourism industry worldwide has been adversely affected due to cancellation of flights, lockdown measures and quarantine procedures imposed by various countries. If the implementation of such travel restrictions is prolonged as a result of the ongoing COVID-19 pandemic, this may have a negative impact on the demand for the Group's travel insurance products and solutions. Moreover, travel restrictions and lockdown measures may lead to a decline in consumer sentiment and spending, a drop in the number of new automobiles purchased, and subsequently reduced demand for the Group's motor insurance products, which may negatively affect the business operations, results of operations and financial condition of the Group.

The COVID-19 pandemic is ongoing and evolving. The Group is not able to predict when the COVID-19 pandemic will be contained, and cannot forecast whether the impact of the COVID-19 pandemic on the Hong Kong, PRC, other markets in which the Group operates, and global economies will be short-lived or long-lasting. If the COVID-19 pandemic persists for a prolonged period, the Group's business operations, results of operation and financial condition may be materially and adversely affected as a result of the slowdown in economic growth, negative business sentiment worldwide or other factors which the Group cannot foresee. (See "*Risk Factors — Risks relating to the Group's Overall Business — The Group's business is inherently subject to market fluctuations and general economic conditions.*" and "*Risk Factors — Risks relating to the Group's Overall Business — Catastrophic events, which are unpredictable by nature, could materially and adversely affect the Group's profitability and financial condition.*")

Differences between actual benefits and claims experience and underwriting and reserving assumptions could have a material adverse effect on the Group's financial condition and results of operations.

The Group establishes property and casualty reserves to pay future policyholder benefits and claims based on assumptions and estimates of damages and liabilities incurred. Consequently, the Group's earnings depend significantly upon the extent to which its actual claims experience is consistent with the assumptions and estimates used in setting the prices for its products and establishing the reserves for its obligations for future policy benefits and claims. To the extent that actual benefit or claims experience is less favourable than the Group's underlying assumptions and estimates used in establishing its reserves, the Group may be required to increase its reserves. Any such increase in reserves will result in additional charges, and may reduce the Group's net income.

The process of estimating reserve liabilities is a difficult and complex exercise involving many variables and subjective judgments. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid claims, the Group cannot determine precisely the amount which it will ultimately pay to settle these liabilities. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. In addition, variations in claims experience could cause actual underwriting experience to be different from actuarial assumptions used in the pricing of the Group's insurance products. This may materially and adversely affect the Group's business, financial condition and results of operations.

The Group may be unable to utilise reinsurance successfully.

The Group's ability to obtain external reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, many of which are beyond its control. In particular, certain risks that the Group is subject to, such as epidemics, are difficult to reinsure. If the Group is unable to renew any expiring external coverage or obtain acceptable new external reinsurance coverage, its net risk exposure could increase or, if it is unwilling to bear an increase in net risk exposure, its overall underwriting capacity and the amount of risk it is able to underwrite would decrease. To the extent that the Group is unable to utilise external reinsurance successfully, its business, financial condition and results of operations may be materially and adversely affected.

In addition, although a reinsurer would be liable to the Group for the risk transferred pursuant to a reinsurance arrangement, such an arrangement does not discharge the Group's primary liability to its policyholders. As a result, the Group is exposed to credit risk with respect to reinsurers in all lines of its insurance business. In particular, a default by one or more of the

Group's reinsurers under its reinsurance arrangements would increase the financial losses arising out of a risk it has insured, which would reduce its profitability and may have a material adverse effect on its liquidity position. There is no assurance that the Group's reinsurers will always be able to meet their obligations under the reinsurance arrangements on a timely basis, if at all. In addition, the Group receives payments from its reinsurers through brokers under a number of reinsurance agreements. As a result, the Group is consequently subject to the risk of non-payment from these brokers.

If the Group is not able to attract, motivate and retain agency leaders and individual agents, the Group's competitive position, growth and profitability will suffer.

The Group depends to a significant extent on its agency leaders and individual agents to distribute its insurance products. The Group faces intense competition to attract and retain its agency leaders and individual agents, and it competes with other companies for their services, primarily on the basis of its reputation, product range, compensation and retirement benefits, training, support services and financial position. The Group may not always be successful in attracting agency leaders and individual agents, and there is no assurance that the Group's initiatives to retain and attract agency leaders and individual agents will succeed. Competition from other insurance companies and business institutions may also force the Group to increase the compensation of its agency leaders and individual agents, which would increase operating costs and reduce its profitability. If the Group is unsuccessful in attracting and retaining agency leaders and individual agents, its ability to effectively market and distribute its products may be negatively affected, which could have a material adverse effect on its financial condition and results of operations.

Agent and employee misconduct is difficult to detect and deter and could harm the Group's reputation or lead to regulatory sanctions or litigation against it.

Agent or employee misconduct could result in violations of applicable laws, regulatory sanctions, litigation or serious reputational or financial harm. Such misconduct could include:

- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling insurance policies to customers;

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

- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group may not always be able to deter agent or employee misconduct, and the precautions it takes to prevent and detect these activities may not be effective in all cases. If the Group is unable to detect and deter any such misconduct, the Group could suffer harm to its reputation, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects. This may even lead to regulatory sanctions or litigation against the Group.

Catastrophic events, which are unpredictable by nature, could materially and adversely affect the Group's profitability and financial condition.

The Group's motor insurance, travel insurance, home insurance and fire insurance businesses expose it to risks arising out of catastrophic events, which are unpredictable by nature. Catastrophes can be caused by various natural hazards, including hurricanes, typhoons, floods, earthquakes, severe weather, fires and explosions. Catastrophes can also be man-made, such as terrorist attacks, wars and industrial or engineering accidents, and violent clashes following protests and social movements in Hong Kong since June 2019. In addition, a health epidemic or pandemic such as avian influenza, Severe Acute Respiratory Syndrome, Ebola virus disease, Middle East Respiratory Syndrome coronavirus, H5N1 avian flu, the human swine flu (also known as Influenza A (H1N1)), H7N9 avian flu or COVID-19 can adversely affect the Group's business in respect of travel and property insurance. For example, the unprecedented travel restrictions, social distancing requirements and lockdown measures imposed around the world due to the outbreak of COVID-19 have had a severe impact on travel and leisure businesses, which, in turn may have a material adverse effect on the Group's business. Catastrophes could also 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 financial markets, and could in turn adversely affect its profitability.

Over the last several years, changing climate conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world, including Hong Kong, and have created additional uncertainties as to future trends and exposures. It is possible that both the frequency and severity of natural disasters may increase in the future.

The frequency and severity of catastrophes are inherently unpredictable. There is no assurance that the reserves established by the Group will be sufficient to pay for all related claims. Although the Group carries some reinsurance to reduce its catastrophe loss exposures, due to limitations in the underwriting capacity and terms and conditions of the reinsurance market, as well as difficulties in assessing the Group's exposures to catastrophes, this reinsurance may not be sufficient to protect the Group adequately against losses. As a result, one or more catastrophic events could materially reduce the Group's profits and cash flows and harm its financial condition.

The rate of growth of Hong Kong insurance market may not be as high or as sustainable as the Group anticipates.

The Group expects the insurance market in Hong Kong to expand and the insurance penetration rate to rise with the continued growth of the Hong Kong economy and household wealth, the reform of the social welfare system, demographic changes and the further opening up of the Hong Kong insurance market to foreign participants. The Group's judgments regarding the anticipated drivers of such growth and their impact on the Hong Kong insurance industry are prospective. The Group offers no assurance though that such prospective judgments will be consistent with actual developments.

Demand for insurance products may change as a result of shifts in customer preferences, technological changes and changes in regulation, and the Group may not respond appropriately or in time to sustain the Group's business or its market share.

The insurance product market is constantly evolving in response to shifts in the preferences of customers, technological changes and changes in regulation, and the Group must respond to these changes to remain competitive, increase the Group's businesses and maintain market share. The Group also faces certain risks when introducing new products, and the Group's new products may fail to achieve market acceptance, which could have a material adverse impact on the Group's business, financial condition and results of operations.

In particular, the insurance market is subject to emerging technological changes. To maintain its competitiveness, the Group is required to anticipate the impact on its business brought by changing technologies, such as driverless cars, connected devices, artificial intelligence and online insurance advice. If the Group is not effective in adapting to this constantly evolving technological landscape, the Group's ability to successfully operate its business may be impaired, which could have an adverse impact on the Group's results of operations.

To remain competitive and stimulate customer demand, the Group needs to continually introduce new products, services and technologies, enhance existing products and services, effectively stimulate customer demand for new and upgraded products and successfully manage the transition to these new and upgraded products. Accordingly, the Group's success depends greatly on its ability to anticipate and respond to emerging customer preferences and demands, technological changes, changing regulations and industry standards, by ensuring continuing and timely development of new products, as well as enhancements to existing products and services. Any such change in customer preferences, technologies, regulations or industry standards may require the Group to re-evaluate its business model and to adopt significant changes to its strategies and business plan. The Group may not be able to ensure its competitiveness in the market as a result of a variety of factors, including failure to anticipate consumer trends and needs. Failure of or delays in understanding or anticipating market trends or delays in innovation, product development and execution may also result in a suboptimal portfolio of products and services, gaps in certain price points or an uncompetitive offering. This in turn may lead to a negative effect on the Group's market share, net sales and profitability, but may also erode its brand by disappointing customers in the carrier, enterprise and consumer market segments, and could have a material adverse effect on the Group's business, financial condition and results of operations.

Insurance companies are subject to laws and regulations which give priority to policyholders.

Laws and regulations applicable to insurance companies generally contain provisions whereby policyholders are given priority over the claims of other creditors. This protection could adversely impact the claims of creditors of insurance companies other than policyholders, including the Noteholders.

Risks relating to the Notes issued under the Programme

The Issuer has limited assets and will need to rely on cash flow from other Group members (particularly the operating subsidiaries of the Group) to service its obligations under the Notes.

The Issuer is an investment holding company of the Group with net assets of HK$49,328.7 million as at 31 December 2020. Accordingly, the Issuer has limited liquid assets to meet its obligations under the Notes and its ability to make payments in respect thereof depends largely upon the receipt of funding, such as equity injections, from the Group's operating subsidiaries and disposal of the Issuer's existing projects. The ability of the Group's subsidiaries to provide funding to the Issuer is subject to their operating performance and profitability, and to applicable laws. The ability of the subsidiaries and associated companies of the Issuer to pay dividends is subject to their performance and cash flow requirements and may be subject to applicable laws and regulations. The outstanding indebtedness of subsidiaries of the Issuer may contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Issuer's percentage interests in its subsidiaries and associated companies could be reduced in the future. Accordingly, the rights of Noteholders under the Notes are structurally subordinated to the obligations of the Group's subsidiaries.

The Notes are unsecured obligations.

As the Notes are unsecured obligations, the repayment of the Notes may be adversely affected if:

(i) the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings; or

(ii) there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or

(iii) there is an acceleration of any of the Issuer's indebtedness.

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

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

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;

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

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

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

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

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

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Modification and waivers are binding on all Noteholders.

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

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

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

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

Additional procedures may be required to be taken to hear English law governed matters in 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 matters.

The Conditions and the Programme 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, Hong Kong courts may require certain additional procedures to be taken.

Hong Kong and the PRC have entered into certain arrangements on the reciprocal recognition and enforcement of judgments in civil and commercial matters (the "**Reciprocal Arrangements**") which allow for a final court judgment (relating to the payment of money or other civil or commercial proceeding) rendered by a Hong Kong court or PRC court (as the case may be) to be recognised and enforced in the PRC or Hong Kong (as the case may be), provided certain conditions are met. However, certain matters may be excluded under the Reciprocal Arrangements and a judgment may be refused to be recognised and enforced by the requested place in certain circumstances such as for public policy reasons or where the judgment was obtained by fraud. As a general matter, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC signed the Hague Convention on Choice of Court Agreements (the "**Hague Convention**") in September 2017 which is intended to promote the use of exclusive choice of court agreements in international contracts and facilitate the creation of a recognition and enforcement regime for court judgements between contracting States. However, the signing of the Hague Convention does not have currently have any legal effect until it is ratified by the PRC government. The PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments of courts with numerous countries, including Japan, the United States and the UK. Therefore, it may be difficult for Noteholders to enforce any judgments obtained from such foreign courts against the Bank, the Issuer, the Group or any of their respective directors or senior management in the PRC

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

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or lodged with the CMU (each of Euroclear, Clearstream, Luxembourg, and the CMU, a "Clearing System"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes and the Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the Issuer in a relevant CMU Issue Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or the Global Certificates.

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

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

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

Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

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

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

The Issuer may be unable to redeem the Notes.

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

The ability of the Issuer to make payments in respect of the Notes may depend upon the due performance by the other parties to the transaction documents.

The ability of the Issuer to make payments in respect of the Notes may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder including the performance by the Issuing and Paying Agent, any other Paying Agent, each Lodging and Paying Agent, each Transfer Agent, the relevant Registrar and/or the relevant Calculation Agent(s) of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of the Notes, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Noteholders and the Couponholders.

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

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

Risks relating to the structure of a particular issue of Notes

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

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

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any 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 within Hong Kong or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

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

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

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

(ii) they may receive no interest;

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

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

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

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

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

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

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt.

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

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

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

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

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

Risks relating to the market generally

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

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

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). In particular, one or more initial investors in the Notes may purchase a significant portion of the aggregate principal amount of the Notes pursuant to an offering. The existence of any such significant holder may reduce the liquidity of Notes in the secondary trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although the approval in-principle has been received from the SGX-ST for the establishment of the Programme and application will be made for the listing and quotation for any Notes which are agreed at the time of issue thereof to be so listed on the Official List of the SGX-ST, there is no assurance that an application for the listing of the Notes on the Official List of the SGX-ST will be approved, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes. If the Notes listed on the Official List of the SGX-ST or any other stock exchanges are de-listed, investors' ability to resell the Notes may be materially affected.

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

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

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

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

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

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

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

The regulatory reform of benchmarks may adversely affect the value of Notes referencing such benchmarks.

Reference rates and indices, including Interest rate benchmarks such as the London Interbank Offered Rate ("**LIBOR**"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**") have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on the Notes.

In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority ("**FCA**"), questioned the sustainability of LIBOR in its current form, and advocated a transition away from reliance on LIBOR to alternative reference rates. He noted that currently, there is wide support among the LIBOR panel banks for voluntarily sustaining LIBOR until the end of 2021, facilitating this transition. At the end of this period, it is the FCA's intention that it will not be necessary to sustain LIBOR through its influence or legal powers by persuading, or obliging banks to submit to LIBOR. Therefore, the continuation of LIBOR in its current form (or at all) cannot be guaranteed after 2021. On 5 March 2021, the FCA announced that: (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021; (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023; (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the InterContinental Exchange Benchmark Administration (the "**IBA**") to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after 31 December 2021); and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the UK Financial Conduct Authority will consider the case for using its proposed powers to require the IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after 30 June 2023).

Any changes to the administration of LIBOR or the emergence of alternatives to LIBOR as a result of these reforms may cause LIBOR to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of LIBOR or changes to its administration could require changes to the way in which the Rate of Interest is calculated in respect of the Notes. The development of alternatives to LIBOR may result in Notes linked to or referencing LIBOR performing differently than would otherwise have been the case if the alternatives to LIBOR had not developed. Any such change or consequential changes as a result of international reforms or other initiatives or investigations could have a material adverse effect on the value of, and return on, the Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Discontinuation of LIBOR in the future may have an adverse effect on the value of Notes which reference LIBOR.

The Conditions provide that the Rate of Interest in respect of the Floating Rate Notes may be determined by reference to Relevant Screen Page. In circumstances where neither the Relevant Screen Page nor any successor or replacement page is available, due to LIBOR being discontinued, the Conditions provide for the Rate of Interest to be determined by the Agent by reference to quotations from the banks whose offered rates would have been used for the purposes of the relevant page had LIBOR not been discontinued.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR), the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before LIBOR was discontinued, and if LIBOR is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the Notes, so that the Notes will, in effect, become fixed rate notes utilising the last available LIBOR rate. Uncertainty as to the continuation of LIBOR, the availability of quotes from reference banks, and the rate that would be applicable if LIBOR is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

The market continues to develop in relation to risk-free rates (including SOFR) as reference rates for floating rate Notes.

Nascent risk-free rates and market

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Secured Overnight Financing Rates ("**SOFR**"), as reference rates in the capital markets for U.S. dollar bonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates.

SOFR are newly established risk-free rates. For example, the Federal Reserve began to publish SOFR in April 2018 and although the New York Federal Reserve has been publishing historical indicative SOFR since 2014, such historical indicative data inherently involves assumptions, estimates and approximations. Therefore, such risk-free rates have a limited performance history and it is impossible to predict the future performance of such risk-free rates. As a consequence no future performance of the relevant risk-free rate or Notes referencing such risk-free rate may be inferred from any of the hypothetical or actual historical performance data. In addition, investors should be aware that risk-free rates may behave materially differently from interbank offered rates as interest reference rates. For example, since the publication of SOFR, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Calculation of Interest

Interest is calculated on the basis of the compounded risk-free rate (e.g. compounded SOFR), which is calculated using the relevant specific formula set out in the Terms and Conditions of the Notes, not the risk-free rate published on or in respect of a particular date during such Observation Period. For this and other reasons, the interest rate on the notes during any Observation Period will not be the same as the interest rate on other investments linked to the risk-free rate that use an alternative basis to determine the applicable interest rate.

In addition, market conventions for calculating the interest rate for bonds referencing risk-free rates continue to develop and market participants and relevant working groups are exploring alternative reference rates based on risk-free rates. For example, on 2 March 2020, the Federal Reserve Bank of New York, as administrator of SOFR, began publishing the SOFR Compounded Index. Accordingly, the specific formula for calculating the rate used in the Notes issued under this Offering Circular may not be widely adopted by other market participants, if at all. The Issuer may in the future also issue Notes referencing risk-free rates that differ materially in terms of interest determination when compared with any previous Notes referencing risk-free rate rates issued by it. If the market adopts a different calculation method, that could adversely affect the market value of Notes issued pursuant to this Offering Circular.

Interest on Notes which reference a risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference risk-free rates to reliably estimate the amount of interest which will be payable on such Notes. Further, if the Notes become due and payable under Condition 10, or are otherwise redeemed early on a date which is not an Interest Payment Date, the Rate of Interest payable shall be determined on the date the Notes became due and payable and shall not be reset thereafter.

Each risk-free rate is published and calculated by third parties based on data received from other sources and the Issuer has no control over their respective determinations, calculations or publications. There can be no guarantee that the relevant risk-free rate (or the SOFR Compounded Index) will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Notes linked to or which reference a such risk-free rate (or that any applicable benchmark fallback provisions provided for in the Terms and Conditions of the Notes will provide a rate which is economically equivalent for Holders). The Federal Reserve has no obligation to consider the interests of Holders in calculating, adjusting, converting, revising or discontinuing the relevant risk-free rate (or the SOFR Compounded Index). If the manner in which the relevant risk-free rate is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading prices of such Notes.

Market Adoption

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Terms and Conditions of the Notes and used in relation to Notes that reference a risk-free rate issued under this Offering Circular. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Notes.

Risks relating to Renminbi-denominated Notes

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

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

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

However, remittance of Renminbi into and out of the PRC for purposes such as capital contributions, known as capital account items, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match policies of the PRC government.

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

Holders of beneficial interests in the Renminbi Notes may be required to provide certifications and other information (including Renminbi account information) in order to allow such holders to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

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

As a result of the restrictions imposed by the PRC government on Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore, Hong Kong and Taiwan may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents, Taiwan residents and specified business customers. While the PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong, and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct

Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement, and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from the offshore market to square such open positions.

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

Remittance of proceeds into or out of the PRC in Renminbi may be difficult.

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

In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds outside the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

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

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies.

All payments of interest and principal will be made with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange-related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rate(s) and could result in a loss when the return on the Renminbi Notes is translated into such currency. Accordingly, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

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

All payments to investors in respect of the Renminbi Notes will be made solely:

(i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary for Clearstream and Euroclear or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank operates, if so specified in the Pricing Supplement;

(ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures; or

(iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank operates, if so specified in the Pricing Supplement, in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

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

Under the PRC Enterprise Income Tax Law which came into effect on 29 December 2018 and its implementation rules which took effect on 1 January 2008 and was amended on 23 April 2019, any gain realised on the transfer of Renminbi Notes by non-resident enterprise Holders may be subject to enterprise income tax if such gain is income derived from sources within the PRC.

However, uncertainty remains as to whether the gain realised from the transfer of the Renminbi Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules.

Therefore, if non-resident enterprise Holders are required to pay PRC income tax on gains on the transfer of the Renminbi Notes (such enterprise income tax is currently levied at the rate of 10 per cent. of gains realised for non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the set-up institutions or establishments, unless there is an applicable tax treaty between the PRC and the jurisdiction in which such non-resident enterprise holders of Renminbi Notes reside that reduces or exempts the relevant tax), the value of their investment in the Renminbi Notes may be materially and adversely affected.

Similarly, under the PRC Individual Income Tax Law which took effect on 1 January 2019 and its implementation regulations which came into force on 1 January 2019, if a Noteholder, as a non-resident individual holder, is required to pay any PRC income tax on gains on the transfer of the Notes (such individual income tax is currently levied at the rate of 20 per cent. of the gross proceeds, unless there is an applicable tax treaty between China and the jurisdiction in which relevant non-resident individual holder of the Notes resides that reduces or exempts the relevant tax), the value of his investment in the Notes may be affected.

If the Issuer is unable to comply with the restrictions and covenants in its debt agreements, this could constitute a default under the terms of such agreements or the Notes, which could cause repayment of its debt to be accelerated.

If the Issuer or the relevant subsidiaries are unable to comply with the restrictions (including restrictions on the Group's future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the Issuer or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing arrangements entered into by the Issuer and its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Issuer or any of its subsidiaries under any such agreements may cause the acceleration of repayment of not only such debt but also other debts, or result in a default under other debt agreements. If any such events occur, there can be no assurance that the assets and cash flows of the Issuer or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer or its subsidiaries would be able to find alternative financing. Even if the Issuer and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or its subsidiaries.

FORM OF PRICING SUPPLEMENT

[Date]

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
(中國平安保險海外(控股)有限公司)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under its U.S.$3,000,000,000
Medium Term Note Programme

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 28 July 2021 [and the supplement[s] to it dated [•] [and [•]] (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

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

[**MiFID II product governance/Professional investors and ECPs only target market —** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MIFIR product governance/Professional investors and ECPs only target market** — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018]/[EUWA] ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")][distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

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

[**Singapore Securities and Futures Act Product Classification** — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][3]

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

1 Include if Item 35(i) (Prohibition of Sales to EEA Retail Investors) is stated to be applicable.

2 Include if Item 35(ii) (Prohibition of Sales to UK Retail Investors) is stated to be applicable.

3 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

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

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

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

1	Issuer:		China Ping An Insurance Overseas (Holdings) Limited (中國平安保險海外(控股)有限公司)
2	(i)	[Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the temporary Global Note for interests in the permanent Global Note, as referred to in paragraph [25] below, which is expected to occur on or about [*date*]]/[Not Applicable]]
3	Specified Currency or Currencies:		[●]
4	Aggregate Nominal Amount:		
	(i)	[Series:]	[●]
	(ii)	[Tranche:	[●]]
5	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
	[(ii)	Net proceeds:	[●]] [*Delete for unlisted issuances.*]

6	(i)	Specified Denominations:[4] [5]	[•]
	(ii)	Calculation Amount:	[•]
7	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
8		Maturity Date:	[*Fixed rate — specify date/Floating rate —* Interest Payment Date falling in or nearest to [*specify month*]][6]
9		Interest Basis:	[[•] per cent. Fixed Rate] [[LIBOR/EURIBOR/HIBOR] +/– [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11		Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*/Not Applicable]
12		Put/Call Options:	[Investor Put] [Issuer Call] [Change of Control Put] [(further particulars specified below)] [Not Applicable]

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

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

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

13	Date of [Board] approval for issuance of Notes obtained	[•] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
14	Listing:	[Singapore/specify other/None]
15	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/other *(specify)*] in arrear] *If payable other than annually, consider amending Condition 5)*
	(ii) Interest Payment Date(s):	[[•] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/*not adjusted*] *(N.B.: This will need to be amended in the case of long or short coupons)*
	(iii) Fixed Coupon Amount(s): *(Applicable to Notes in definitive form)*	[•] per Calculation Amount[7]
	(iv) Broken Amount(s): *(Applicable to Notes in definitive form)*	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/Not Applicable]
	(v) Day Count Fraction:	[30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed)[8] or [*specify other*]]

7 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

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

	(vi)	Determination Date(s):	[Not Applicable/[●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]* *(N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration) (N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17		Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ [*specify other*]] and [Adjusted or Unadjusted]
	(iii)	Additional Business Centre(s):	[●]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[●]
	(vi)	Screen Rate Determination:	
		— Reference Rate:	[●] *(Either LIBOR, EURIBOR, HIBOR, SOFR or other, although additional information is required if other — including fallback provisions in the Agency Agreement)*

—	Interest Determination Date(s):	[●] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
—	Relevant Screen Page:	[●] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
—	Party responsible for calculation of Rate of Interest:	[●] *(Specify where this is not the Calculation Agent)*
—	SOFR:	[Applicable/Not Applicable]
•	SOFR Benchmark:	[Simple SOFR Average/Compounded Daily SOFR/ SOFR Index]
•	Compounded Daily SOFR:	[Not Applicable/SOFR Lag/SOFR Observation Shift/ SOFR Payment Delay/SOFR Lockout] *(Only applicable in the case of Compounded Daily SOFR)*
•	Lookback Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Lag)*
•	SOFR Observation Shift Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Observation Shift or SOFR Index)*
•	Interest Payment Delay Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Payment Delay)*
•	SOFR Rate Cut-Off Date:	[Not Applicable/The day that is the [●] U.S. Government Securities Business Day(s) prior to the end of each Interest Accrual Period] *(Only applicable in the case of Simple SOFR Average, Compounded Daily SOFR: SOFR Payment Delay or Compounded Daily SOFR: SOFR Lockout)*
•	SOFR Index$_{Start}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Index)*

	• SOFR Index$_{End}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Index)*
(vii)	ISDA Determination:	
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]
(viii)	Margin(s):	[+/–] [●] per cent. per annum
(ix)	Minimum Rate of Interest:	[●] per cent. per annum
(x)	Maximum Rate of Interest:	[●] per cent. per annum
(xi)	Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365(Fixed) Actual/365(Sterling) Actual/360 30/360, 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] *(See Condition 5 for alternatives)*
(xii)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Discontinuation (General) (Condition 5(m))/Benchmark Discontinuation (SOFR) (Condition 5(n))/*specify other if different from those set out in the Conditions*]
18	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Accrual Yield:	[●] per cent. per annum
(ii)	Reference Price:	[●]
(iii)	Any other formula/basis of determining amount payable:	[●]
(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition [7.6(c)] and Condition [7.11] *apply/specify other*] *(Consider applicable day count fraction if not U.S. dollar denominated)*

19	Index Linked Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Index/Formula:	[*give or annex details*]
(ii)	Calculation Agent:	[●]
(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Issuing and Paying Agent):	[●]
(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(v)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(vi)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
(vii)	Additional Business Centre(s):	[●]
(viii)	Minimum Rate of Interest:	[●] per cent. per annum
(ix)	Maximum Rate of Interest:	[●] per cent. per annum
(x)	Day Count Fraction:	[●]
20	Dual Currency Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[●]

	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

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

	(iii) Notice period (if other than as set out in the Conditions):	[•] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee.)*
23	Final Redemption Amount:	[[•] per Calculation Amount/*specify other*/see Appendix]]
24	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition [7.6]):	[[•] per Calculation Amount/*specify other*/see Appendix]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25	Form of Notes:	[**Bearer Notes:** [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [•] days' notice[9]] [permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]] [**Registered Notes:** Global Certificate exchangeable for Certificates in the limited circumstances described in the Global Certificate]
26	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17 (iii) and 19(vii) relate)*

9 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "100,000 and integral multiples of [1,000] in excess thereof up to and including 199,000", the temporary Global Note shall not be exchangeable on [•] days' notice.

27	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B.: a new form of temporary Global Note and/or permanent Global Note may be required for Partly Paid issues.*]
29	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
30	Redenomination applicable:	Redenomination [not] applicable [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*]
31	Other terms or special conditions:	[Not Applicable/give details]

DISTRIBUTION

32	(i) If syndicated, names and addresses of Managers and underwriting commitments	[Not Applicable/give names and addresses and underwriting commitments: commitments]
	(ii) Date of Subscription Agreement	[•]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
33	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
34	Total commission and concession:	[•] per cent. of the Aggregate Nominal Amount
34	U.S. Selling Restrictions:	Reg. S Category [1/2]; (In the case of Bearer Notes) — [TEFRA C/TEFRA D/ TEFRA not applicable] (In the case of Registered Notes) — Not Applicable

35	(i)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(if the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified)*
	(ii)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(if the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified)*
36	Additional selling restrictions:		[Not Applicable/*give details*]

OPERATIONAL INFORMATION

37	Any clearing system(s) other than Euroclear or Clearstream, Luxembourg and the relevant identification number(s):	[CMU/Not Applicable/*give name(s) and number(s)*]
38	Delivery:	Delivery [against/free of] payment
39	Additional Paying Agent(s) (if any):	[●]
40	ISIN:	[●]
41	Common Code:	[●]
42	CMU Instrument Number:	[●]
43	Legal Entity Identifier:	[●]

(insert here any other relevant codes such as a CMU instrument number)

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.$3,000,000,000 Medium Term Note Programme of China Ping An Insurance Overseas (Holdings) Limited (中國平安保險海外(控股)有限公司).]

GENERAL

45	Private Bank Rebate/Commission:	[Applicable/Not Applicable]
46	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$]
47	[Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]] [[Other: [●]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*]
48	[Date of regulatory approval for issuance of Notes obtained;	[Pre-issuance registration certificate/NDRC approval dated [●] from the NDRC]

[STABILISATION

In connection with this issue, [*insert name of Stabilisation Manager*] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be discontinued at any time, and must be brought to an end after a limited period.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
China Ping An Insurance Overseas (Holdings) Limited
(中國平安保險海外(控股)有限公司):

By: ______________________
Duly authorised

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are constituted by a Trust Deed (as amended and/or supplemented from time to time and as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 28 July 2021 between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended and/or supplemented from time to time and as at the Issue Date, the "**Agency Agreement**") dated 28 July 2021 has been entered into in relation to the Notes between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as initial issuing and paying agent, The Hongkong and Shanghai Banking Corporation Limited as CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**" and collectively, the "**Agents**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

Copies of the Trust Deed and the Agency Agreement are available for inspection, or electronically by written request to hkcorporate.trust.queries@hsbc.com.hk, at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m.) at the principal office of the Trustee (being at the date of the Trust Deed at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified office of the Issuing and Paying Agent following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Issuing and Paying Agent.

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

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed or in the relevant Pricing Supplement. As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

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

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

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

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

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

2 No Exchange of Notes and Transfers of Registered Notes

(a) ***No Exchange of Notes:*** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) ***Transfer of Registered Notes:*** One or more Registered Notes may be transferred, subject to Conditions 2(b) and 2(f) and the Agency Agreement, upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder following written request and proof of holding and identity satisfactory to the Registrar at all reasonable times during normal business hours at the specified office of the Registrar.

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

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

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

(e) ***Transfers Free of Charge:*** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but (i) upon payment by the relevant Noteholders of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require), (ii) upon 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) subject to Condition 2(f).

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

3 Status

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

4 Negative Pledge and Other Covenants

(a) ***Negative Pledge***

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

For the purposes of these Conditions:

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

(ii) "**Principal Non-listed Subsidiaries**" means any Subsidiary of the Issuer (other than any Subsidiaries whose ordinary shares are listed or dealt in or traded on any internationally recognised stock exchange):

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

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

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

provided that, in relation to paragraphs (A), (B) and (C) above of this definition:

(I) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(II) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, gross revenue, gross profit or gross assets of the Issuer and/

or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose the Issuer for the purposes of preparing a certificate thereon to the Trustee;

(III) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee; and

(IV) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (I) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Non-listed Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or

(D) any Subsidiary of the Issuer to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Non-listed Subsidiary, provided that the Principal Non-listed Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Non-listed Subsidiary and the Subsidiary to which the assets are so transferred shall cease to become a Principal Non-listed Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Non-listed Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (A), (B) or (C) above of this definition.

A certificate prepared and signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer that, in his or her opinion, a Subsidiary is or is not, or was or was not, a Principal Non-listed Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

(iii) "**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, and are initially issued, offered or distributed outside the People's Republic of China (which for the purposes of these Conditions excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macao Special Administrative Region of the People's Republic of China and Taiwan).

(iv) "**Subsidiary**" means, in respect of any Person, any entity whose financial statements at any time are required by law, or in accordance with generally accepted accounting principles, of the jurisdiction of incorporation of such Person to be fully consolidated with those such Person.

(b) ***Information Rights***

So long as any Note or Coupon remains outstanding, the Issuer will send to the Trustee:

(i) as soon as they are available, but in any event within 6 months after the end of each financial year of the Issuer (which, unless otherwise notified in writing to the Trustee and to the Noteholders in accordance with Condition 16, shall be 31 December), copies in English of the Issuer's audited financial statements (on a consolidated basis and as audited by a member firm of independent accountants) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) together with the relevant audit report thereto and a summary of the notes to such audited financial statements which is substantially the same in scope and quality to that disclosed in the Offering Circular referred to in the relevant Pricing Supplement in respect of the Notes; and

(ii) promptly, any notice, statement or circular issued, or which legally or contractually should be issued, to the members or creditors (or any class of them) of the Issuer generally in its capacity as such.

(c) ***Notification to NDRC***

Where the NDRC Circular applies to a tranche of Notes to be issued in accordance with these Conditions and the Trust Deed, the Issuer undertakes to (i) report or cause to be reported the relevant information in connection with such Notes to the NDRC within the timeframe prescribed by the NDRC after the relevant Issue Date and in accordance with the NDRC Circular (the "**Post-Issuance Filing**") and (ii) comply or procure compliance with all applicable PRC laws and regulations in relation to the Post-Issuance Filing.

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

In these Conditions,

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts; and

"**NDRC Circular**" means the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委員會關於推進企業發行外債備案登記制管理改革的通知) (Fa Gai Wai Zi [2015] No. 2044) promulgated by the NDRC and effective from 14 September 2015 and any implementation rules, regulations, circulars, certificates or notices in connection therewith issued by the NDRC from time to time.

5 Interest and other Calculations

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

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

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

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

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

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Accrual Period means a rate equal to the

Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

(B) *Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark)*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is not SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

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

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

(z) if paragraph (y) above applies and the Calculation Agent has received quotations from fewer than two Reference Banks, subject as provided below, (i) the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated at the request of the Independent Investment Bank to the Independent Investment Bank and the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, or, (ii) if fewer than two of the Reference Banks provide the Independent Investment Bank and the Calculation Agent with such offered rates referred to in (i) above, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Independent Investment Bank suitable for such purpose) informs the Independent Investment Bank and the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference

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

For the purposes of this Condition 5(b)(iii)(B), "**Independent Investment Bank**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise (which shall not be the Calculation Agent) appointed by (and at the expense of) the Issuer for the purposes of this Condition 5(b)(iii)(B) and notified in writing by the Issuer to the Calculation Agent and the Trustee.

(C) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark*

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any) in accordance with Condition 5(g), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded Daily SOFR or SOFR Index, as follows (subject in each case to Condition 5(n) as further specified hereon):

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

(y) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable hereon to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified as applicable hereon to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable hereon:

(1) SOFR Lag:

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

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

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

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

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

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

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

"**n_i**", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i).

(2) SOFR Observation Shift:

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

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

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

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

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon;

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

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

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

"**n_i**", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i).

(3) SOFR Payment Delay:

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

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

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

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or, if the Issuer elects to redeem the Notes prior to the Maturity Date, the relevant Optional Redemption Date;

"**Interest Payment Delay Days**" means the number of Business Days as specified hereon;

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

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

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

"**n_i**", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i).

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

(4) SOFR Lockout:

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

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

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

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

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

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

"**n_i**", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i).

The following defined terms shall have the meanings set out below for purpose of this 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

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

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

"**SOFR**" means, in respect of a U.S. Government Securities Business Day, the reference rate equal to:

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

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

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(n) shall apply as specified hereon;

"**SOFR Rate Cut-Off Date**" means the date that is a number of U.S. Government Securities Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified in the Pricing Supplement; and

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

(z) If SOFR Index ("**SOFR Index**") is specified as applicable hereon, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

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

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or

0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**SOFR Index**" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that:*

(a) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(C)(y)(2) "SOFR Observation Shift", and the term "SOFR Observation Shift Days" shall mean two U.S. Government Securities Business Days; or

(b) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(n) shall apply as specified hereon;

"**SOFR $\textbf{Index}_{\textbf{End}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified hereon prior to the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR $\textbf{Index}_{\textbf{Start}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified hereon prior to the first day of such Interest Accrual Period;

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

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

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon; and

"**$\mathbf{d_c}$**" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

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

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

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

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

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

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

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

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

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

(i) If any Margin is specified hereon (either (A) generally, or (B) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest

Accrual Periods, in the case of (B), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 5(g)(ii) below.

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

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (B) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

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

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

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

(k) ***Definitions:*** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

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

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

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

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

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

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

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

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

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

"**Interest Amount**" means:

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

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified:

(i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi; or

(ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi; or

(iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro; or

(iv) (where SOFR Benchmark is specified hereon as the Reference Rate and where Simple SOFR Average is specified as applicable hereon or where SOFR Lag, SOFR Observation Shift or SOFR Lockout is specified as applicable hereon to determine Compounded Daily SOFR or where SOFR Index is specified as applicable hereon) the second U.S. Government Securities Business Day prior to the last day of each Interest Period; and

(v) (where SOFR Benchmark is specified hereon as the Reference Rate and where SOFR Payment Delay is specified as applicable hereon to determine Compounded Daily SOFR) the Interest Period Date at the end of each Interest Accrual Period, *provided that* the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

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

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

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Independent Investment Bank or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

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

Calculation Agent: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with prior written notice to the Trustee) appoint a leading bank or financial institution of international repute engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. If the Calculation Agent is unable (other than due to its own gross negligence, willful default or fraud) to make any calculation under this Condition 5 or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(l) ***Benchmark discontinuation (general)***

(i) *Independent Adviser*

Other than in the case of a U.S. dollar-denominated Floating Rate Notes where Benchmark Discontinuation (SOFR) is specified as applicable, if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(m)(ii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(m)(iii)) and any Benchmark Amendments (in accordance with Condition 5(m)(iv)).

An Independent Adviser appointed pursuant to this Condition 5(m) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 5(m).

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

(ii) *Successor Rate or Alternative Rate*

If the Issuer, following consultation with the Independent Adviser and acting in good faith, determines in its sole discretion that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(m)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(m)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(m)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(m)).

(iii) *Adjustment Spread*

If the Issuer, following consultation with the Independent Adviser and acting in good faith, determines in its sole discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) *Benchmark Amendments*

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5(m) and the Issuer, following consultation with the Independent Adviser and acting in good faith, determines in its sole discretion (A) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(m)(v), without any requirement for the consent or approval of Noteholders, the Trustee or the Agents, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee and the Agents of a certificate signed by an Authorised Signatory pursuant to Condition 5(m)(v), the Trustee and/or the Agents shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer to vary these Conditions, the Notes, the Trust Deed and/or the Agency Agreement to give effect to any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) and neither the Trustee nor any of the Agents shall be liable to any party thereof, provided that neither the Trustee nor any of the Agents shall be bound or obliged to give effect to any Benchmark Adjustment if in the opinion of the Trustee and/or any of the Agents, the same will not be operable or doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to the Trustee and/or any of the Agents in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed), the Agency Agreement and/or any other documents to which it is a party in any way.

In connection with any such variation in accordance with this Condition 5(m)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(m) will be notified at least 5 Business Days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

(A) confirming (I) that a Benchmark Event has occurred, (II) the Successor Rate or, as the case may be, the Alternative Rate and, (III) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(m); and

(B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Agents and the Noteholders. Neither the Trustee nor any Agent shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) or any other changes proposed by the Issuer or its designee in accordance with this Condition 5(m).

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Conditions 5(m)(i), 5(m)(ii), 5(m)(iii) and 5(m)(iv), the Original Reference Rate and the fallback provisions provided for in Conditions 5(b)(iii)(B)(y) and 5(b)(iii)(B)(z) will continue to apply unless and until a Benchmark Event has occurred.

(vii) *Definitions:*

As used in this Condition 5(m):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines in its sole discretion is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate).

(B) the Issuer determines in its sole discretion, following consultation with the Independent Adviser and acting in good faith, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged).

(C) the Issuer, in its sole discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate.

"**Alternative Rate**" means an alternative to the Reference Rate which the Issuer following consultation with the Independent Adviser and acting in good faith determines in accordance with Condition 5(m)(ii) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(m)(iv).

"**Benchmark Event**" means:

(A) the Original Reference Rate ceasing be published for a period of at least 5 Business Days or ceasing to exist; or

(B) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

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

(D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or

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

For the avoidance of doubt, neither the Trustee, the Agents nor the Calculation Agent shall have any responsibility for making such determination.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(m)(i).

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

"**Relevant Nominating Body**" means, in respect of a Reference Rate:

(A) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (I) the central bank for the currency to which the Reference Rate relates, (II) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (III) a group of the aforementioned central banks or other supervisory authorities or (IV) the Financial Stability Board or any part thereof.

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

(m) ***Benchmark discontinuation (SOFR):***

This Condition 5(n) shall only apply to U.S. dollar-denominated Notes where so specified hereon.

The following provisions shall apply if Benchmark Discontinuation (SOFR) is specified as applicable hereon:

(i) *Benchmark Replacement*

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

(ii) *Benchmark Replacement Conforming Changes*

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Trustee and any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(n). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee or any of the Agents (if required). Neither the Trustee nor any of the Agents shall be liable to any party thereof for such Benchmark Replacement Conforming Changes or any consequential amendments to the Trust Deed, the Agency Agreement and these Conditions, provided that neither the Trustee nor any of the Agents shall be bound or obliged to give effect to any such Benchmark Replacement Conforming Changes or any consequential amendments if in the opinion of the Trustee and/or any of the Agents, the same will not be operable or doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to the Trustee and/or any of the Agents in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed), the Agency Agreement and/or any other documents to which it is a party in any way. Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) *Decisions and Determinations*

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(n), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (A) will be conclusive and binding absent manifest error, (B) will be made in the sole discretion of the Issuer or its designee, as applicable, and (C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party. Neither the Trustee nor any Agent shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to the Benchmark Replacement, Benchmark Replacement Conforming Changes or any other changes proposed by the Issuer or its designee in accordance with this Condition 5(m).

(iv) *The following defined terms shall have the meanings set out below for purpose of this Condition 5(n):*

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

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

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

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

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

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

(A) the sum of:

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

  (y) the Benchmark Replacement Adjustment;

(B) the sum of:

  (x) the ISDA Fallback Rate; and

  (y) the Benchmark Replacement Adjustment; or

(C) the sum of:

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

(y) the Benchmark Replacement Adjustment;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Reference Time**" with respect to any determination of the Benchmark means (A) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified as applicable hereon) or SOFR Index Determination Time (where SOFR Index is specified as applicable hereon), or (B) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

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

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

6 Redemption, Purchase and Options

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

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related

Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) ***Early Redemption:***

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

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

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

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(iii) *Calculations:* None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 6 and will not be responsible or liable to Noteholders or any other person for any loss arising from any failure by it to do so.

(c) ***Redemption for Taxation Reasons:*** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) and to the Trustee and the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent in writing, at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that (i) it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (A) a certificate signed by an Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment as is referred to in (i) above of this Condition 6(c) has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(c), in which event the same shall be conclusive and binding on Noteholders and Couponholders.

(d) ***Redemption at the Option of the Issuer:*** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) and to the Trustee and the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent in writing, redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to but excluding the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

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

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

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

(f) ***Redemption for Change of Control:*** At any time following the occurrence of a Change of Control, the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Notes on the Change of Control Put Date at 101 per cent. of their principal amount, together with interest accrued to but excluding the Change of Control Put Date.

To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed notice of redemption, in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) (a "**Change of Control Put Exercise Notice**") by not later than 60 days following a Change of Control or, if later, 60 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

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

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

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and none of them shall be liable to Noteholders or any other person for not doing so.

For the purposes of this Condition 6(f):

a "**Change of Control**" occurs when Ping An Insurance (Group) Company of China Ltd. does not or ceases to, at any time, own or control, whether directly or indirectly, 100 per cent. of the issued share capital of the Issuer.

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

(h) ***Notices of Redemption:*** All Notes in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 6(c) or Condition 6(d) and any Exercise Notice or Change of Control Put Exercise Notice given by a Noteholder pursuant to (as applicable) Condition 6(e) or Condition 6(f), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(i) ***Purchases:*** Each of the Issuer and its Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11(a) and 12.

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

7 Payments and Talons

(a) ***Bearer Notes:***

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

(i) in the case of a currency other than Renminbi by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

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

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Issue Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU, which notification shall be conclusive evidence of the records of the CMU (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) ***Registered Notes:***

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

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

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Notes are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU in a relevant CMU Issue Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU, which notification shall be conclusive evidence of the records of the CMU (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

So long as the Global Note or, as the case may be, the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A. or any other clearing system, 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 payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

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

(d) ***Payments subject to Laws:*** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, 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 8) any law implementing an intergovernmental approach thereto.

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

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

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

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

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

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

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

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) ***Other connection:*** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Hong Kong other than the mere holding of the Note, Receipt or Coupon; or

(b) ***Presentation more than 30 days after the Relevant Date:*** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

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

9 Prescription

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

10 Events of Default

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

(a) ***Non-Payment:*** the Issuer fails to pay the principal of or any premium or interest on any of the Notes when due and such failure continues for a period of 14 days; or

(b) ***Breach of Other Obligations:*** the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 45 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) ***Cross-Default:*** (i) any other present or future indebtedness of the Issuer or any of the Principal Non-listed Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of the Principal Non-listed Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised (as extended by any originally applicable grace period) provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$30,000,000 or its equivalent; or

(d) ***Enforcement Proceedings:*** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of the Principal Non-listed Subsidiaries and is not discharged or stayed within 45 days; or

(e) ***Security Enforced:*** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of the Principal Non-listed Subsidiaries in respect of any material part of their respective property, assets or revenues becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such enforcement step is not discharged or stayed or rescinded within 45 days; or

(f) ***Insolvency:*** the Issuer or any of the Principal Non-listed Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of the Principal Non-listed Subsidiaries; or

(g) ***Winding-up:*** an order by a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of the Principal Non-listed Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Principal Non-listed Subsidiary, whereby the undertaking and assets of such Principal Non-listed Subsidiary are transferred to or otherwise vested in the Issuer or another of the Principal Non-listed Subsidiaries; or

(h) ***Nationalisation:*** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of the Principal Non-listed Subsidiaries; or

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

(j) ***Illegality:*** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(k) ***Analogous Events:*** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(d), 10(e), 10(f) and 10(g).

The Issuer has undertaken in the Trust Deed, amongst other things, that, within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by an Authorised Signatory to the effect that as at a date not more than seven days prior to the date of the certificate no Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default has occurred.

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) ***Meetings of Noteholders:*** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon request in writing from Noteholders holding not less than 10 per cent. in aggregate principal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution (x) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Notes for the time being outstanding, or (y) passed by Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The consent or approval of the Noteholders shall not be required in the case of amendments to the Conditions pursuant to Condition 5(m) to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes or for any other variation of these Conditions and/or the Agency Agreement required to be made in the circumstances described in Condition 5(m), where the Issuer has delivered to the Trustee a certificate pursuant to Condition 5(m)(v).

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

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

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

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

12 Enforcement

At any time after the Notes become due and payable, the Trustee may (but shall not be obliged to), at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including, without limitation, provisions relieving it from taking such steps and/or actions and/or instituting such proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely without liability to the Issuer, the Noteholders, the Couponholders or any other person on any report, confirmation or certificate from or any opinion or advice of any legal advisers, accountants, financial advisers, 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 or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice, in which event such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Noteholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or the Conditions to exercise any discretion or power, take any action, make any decision or give any direction, 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, to seek directions from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Noteholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Noteholders or in the event that no direction is given to the Trustee by the Noteholders except to the extent that a court of competent jurisdiction determines that the Trustee's own gross negligence, wilful default or fraud was the direct and primary case of any such loss or liability. None of the Trustee or any Agent shall be liable to any Noteholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer 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 ascertain whether any Event of Default, Potential Event of Default (as defined in the Trust Deed) or Change of Control has occurred or may occur or to monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement and/or these Conditions.

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

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

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

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for submission of the Post-Issuance Filing) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding Notes constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16 Notices

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

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

So long as the Global Note or, as the case may be, the Global Certificate is held in its entirely on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A. any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and Clearstream Banking S.A. for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

So long as the Global Note or, as the case may be, the Global Certificate is deposited with a sub-custodian for the CMU, notices to Noteholders represented by the Global Note or, as the case may be, the Global Certificate may be given by delivery of the relevant notice to persons shown in a CMU Issue Position Report issued by the Hong Kong Monetary Authority on the business day prior to the date of despatch of such notice. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to the persons shown in the relevant CMU Issue Position Report.

17 Contracts (Rights of Third Parties) Act 1999

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

18 Governing Law and Jurisdiction

(a) ***Governing Law:*** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) ***Jurisdiction:*** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Trustee has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) ***Service of Process:*** The Issuer irrevocably agrees to receive service of process at its registered office in any Proceedings in Hong Kong.

Initial Issue of Notes

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

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

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

Relationship of Accountholders with Clearing Systems

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

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

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

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme — Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

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

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of permanent Global Notes*" below, in part for Definitive Notes: (i) if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent or CMU Lodging and Paying Agent (as applicable) of its election for such exchange.

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

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable, **provided that**, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

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

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

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

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

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

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

All payments in respect of Notes represented by a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "Clearing System Business Day" means a day on which the CMU is operating and open for business.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

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

Purchase

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

Issuer's Option

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

Noteholders' Options

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

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interest if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

Partly Paid Notes

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

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be for refinancing and general working capital purposes of the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

Capitalisation of the Issuer

As at 31 December 2020, the issued share capital of the Issuer was HK$7,085 million consisting of 70,850,000 ordinary shares.

The following table sets forth on an actual basis the Issuer's consolidated capitalisation and indebtedness as at 31 December 2020 which has been extracted from the Issuer's audited consolidated financial statements for the year ended 31 December 2020. As at 31 December 2020, the Issuer's capitalisation has increased by HK$9,123.3 million, comparing to HK$88,659.7 million as at 31 December 2019.

	As at 31 December 2020	
	HK$ (audited)	U.S.$[4] (unaudited)
	(in millions)	
Short-term interest-bearing borrowings	27,162.6	3,503.9
Long-term interest-bearing borrowings	25.6	3.3
Total interest-bearing borrowings	27,188.2	3,507.2
Bonds payable[1]	21,266.1	2,743.3
Total equity[2]	49,328.7	6,363.3
Total capitalisation[3]	**97,783.0**	**12,613.8**

(1) On 25 February 2021, a subsidiary of the Issuer issued U.S.$250,000,000 2.95 per cent. notes due 2031 guaranteed by the Issuer.

(2) Total equity comprises issued capital, reserves and non-controlling interest.

(3) Total capitalisation equals total interest-bearing borrowings, bonds payable and total equity.

(4) Translation of HK$ amounts to U.S.$ amounts were made at a rate of U.S.$1.00 to HK$7.7521 as at 31 December 2020.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2020.

DESCRIPTION OF THE GROUP

Overview

The Issuer was incorporated as a limited liability company on 24 October 1996 under the laws of Hong Kong (company registration number: 571270). As at 31 December 2020, the Issuer has an issued share capital of HK$7,085 million comprising 70,850,000 shares. The Issuer's registered office is situated at Suite 2318, 23rd Floor Two International Finance Centre, 8 Finance Street, Central, Hong Kong. As at the date of this Offering Circular, none of the Issuer's equity securities is listed or dealt on any stock exchange.

The Issuer is a wholly-owned subsidiary of Ping An Insurance (Group) Company of China, Ltd. (the "**Company**"). The Issuer and its subsidiaries (collectively referred to as the "**Group**") is, among other things, the offshore financing and investment platform of the Ping An Group. The Ping An Group's onshore insurance subsidiaries invest overseas through assets managed by the Group and the Group provides bridge funding to fellow subsidiaries of the Ping An Group for their offshore investments. As an investment holding company, the Issuer holds equity interests in various subsidiaries which are principally engaged in (i) provision of asset management services to related and unrelated companies, (ii) undertaking investment activities, and (iii) underwriting general insurance, including statutory insurance and acceptance of reinsurance.

As at 31 December 2020, the Issuer had consolidated total assets of approximately HK$108.9 billion, which was an increase of approximately 13.6 per cent. as compared to the year ended 31 December 2019 where the Issuer had consolidated total assets of approximately HK$95.9 billion. For the year ended 31 December 2020, the Issuer generated consolidated total income of approximately HK$9.10 billion and reported a consolidated net profit of approximately HK$10.14 billion, increased by approximately 232.6 per cent. and approximately 142.8 per cent., respectively, compared to the year ended 31 December 2019. For the year ended 31 December 2019, the Issuer generated consolidated total income of approximately HK$2.74 billion, and reported a consolidated net profit of approximately HK$4.17 billion. For details of the Group's financial information, including the year-on-year profits, total assets, liabilities and equity of the Group, please refer to "*Summary Consolidated Financial and Other Information of the Issuer*" and the Issuer's audited financial statements as of and for the year ended 31 December 2020 included elsewhere in this Offering Circular.

Corporate Milestones

Year	Milestone Event
1992	China Ping An Insurance (Hong Kong) Company Limited ("**Ping An Insurance HK**") was incorporated.
1996	The Issuer was incorporated as an investment holding company of the Company.
1997	Ping An Insurance HK became a subsidiary of the Issuer.
2006	Ping An of China Asset Management (Hong Kong) Company Limited ("**Ping An Asset Management HK**") was incorporated as a wholly owned subsidiary of the Issuer and started asset management business.

Year	Milestone Event
2011	The Group raised funds in the capital markets for the first time and issued offshore dim sum bonds in the principal amount of RMB2 billion.
2012	The Issuer acquired 25 per cent. of issued shares of Ping An International Financial Leasing Co., Ltd. ("**Ping An Financial Leasing**").
2013	The Group set up its debut U.S.$2 billion euro medium term note programme with Value Success International Limited as issuer.
2014	The Issuer acquired 100 per cent. of the issued shares of Fullerton Capital International (China) Pte. Ltd. and obtained control of its wholly-owned subsidiaries.
	The Issuer acquired 19.99 per cent. of the issued shares of Wincon Investment Company Limited, later renamed Lufax Holding Ltd.
2016	The Issuer entered into a share purchase agreement with Lufax for the transfer of its 100 per cent. equity interest in Gem Alliance Limited. Lufax issued convertible promissory notes amounting to U.S.$1,953.8 million to the Issuer as consideration.
2018	The Issuer was rated "Baa2" (Stable Outlook) by Moody's Investors Service.
	The Group issued U.S.$500 million public bond under its new U.S.$3 billion euro medium term note programme with Vigorous Champion International Limited as issuer.
2021	The Issuer established the new U.S.$3 billion euro medium term note programme described in this Offering Circular.

Awards and Honours

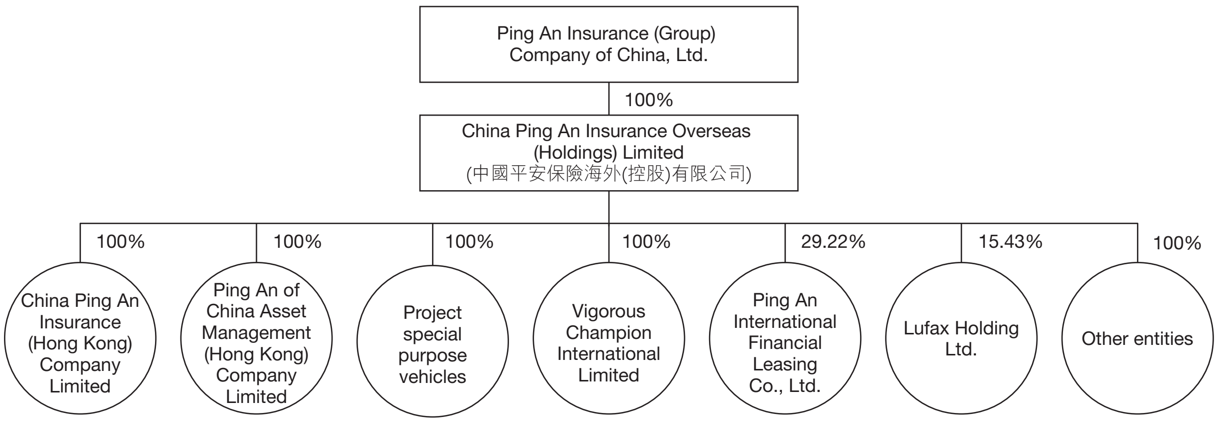
The Group has received numerous awards and honours for its achievements, including the following:

Year	Award/Honour
2011	Asia Asset Management Best China Fund House Award
2012	Asia Asset Management Best China Fund House Award
2013	BENCHMARK Fund of the Year Awards 2013 — Best-in-Class (Hong Kong Equity — ETF)
2014	BENCHMARK Fund of the Year Awards 2014 — Best-in-Class (Hong Kong Equity — ETF)
2015	BENCHMARK Fund of the Year Awards 2015 — Best-in-Class (Hong Kong Equity — ETF)
2017	Bloomberg BusinessWeek Top Fund Awards 2017 • Best Performer, Hong Kong Equity Fund • Outstanding Performer, Hong Kong Equity Fund • Outstanding Performer, RMB Bond Fund
	BENCHMARK Fund of the Year Awards 2017 — Best-in-Class (Hong Kong Equity — ETF): Ping An of China CSI HK Dividend ETF
2018	Thomson Reuters Lipper Fund Awards 2018 — Best Fund of Over 3 Years (Bonds CNY): Ping An of China SIF — RMB Bond Fund
	HKCAMA and Bloomberg — Offshore China Fund Awards (2018) — Best Total Return — Greater China Fixed Income (3 Year): Ping An of China SIF — RMB Bond Fund
	Bloomberg BusinessWeek Top Fund Awards 2018: ETFs (NAV Total Return 1 Year) Equity — Hong Kong — Best Performer
	Thomson Reuters Lipper Fund Award: Ping An of China SIF — RMB Bond Fund
	The Asset Triple A Private Banking, Wealth Management, Investment and ETF Awards 2018: Editor's Triple Star: Innovative Indices

Year	Award/Honour
2019	Bloomberg BusinessWeek Top Fund Awards 2019 • Best Performer — Fixed Income — ETFs (NAV Tracking Error 1 Year) — Ping An of China CSI 5–10 Y CGS ETF • Outstanding Performer — RMB Bond — Mutual Funds (5 Years) — Ping An of China SIF — RMB Bond Fund HKCAMA and Bloomberg — Offshore China Fund Awards 2019 • Best Total Return — Greater China Fixed Income (3 Year) — 2nd Runner-up — Ping An of China SIF — RMB Bond Fund • Best Total Return — Greater China Fixed Income (5 Year) — 2nd Runner-up — Ping An of China SIF — RMB Bond Fund
2020	Bloomberg BusinessWeek Top Fund Awards 2020: Best Performer — RMB Bond — Mutual Funds (5 Years) — Ping An of China SIF — RMB Bond Fund HKCAMA and Bloomberg — Offshore China Fund Awards (2020) — Best Total Return — Greater China Fixed Income (5 Year) — 2nd Runner-up — Ping An of China SIF — RMB Bond Fund

Corporate Structure

The following chart sets forth the current corporate and shareholding structure of the Issuer and its interests in certain of its principal subsidiaries and associates as at the date of this Offering Circular. The shareholding percentages of the Issuer's subsidiaries and associates set out in the following chart include the equity interests both directly and indirectly held by the Issuer in such subsidiaries and associates.



As at 31 December 2020, the Issuer held interests in approximately 124 subsidiaries in Hong Kong, the British Virgin Islands, the Cayman Islands, Japan and the PRC, primarily involved in general insurance, asset management, project investment, fund investment, loan financing and bond issuance activities.

Competitive Strengths

The Issuer believes that its success and prospects are supported by a combination of the following competitive strengths:

Parental support from the Ping An Group.

The Issuer is strategically important to the Ping An Group and it is the Ping An Group's directly and wholly owned offshore financing and investment platform. The Issuer's business growth is supported by demand for overseas asset allocation from the Ping An Group and its affiliates. As at 31 December 2020, in terms of capital injection support, the Issuer has received approximately HK$7.09 billion in total in capital injection from the Ping An Group to support the Issuer's business growth and capital needs, with the latest capital injection having taken place in April 2016 of approximately HK$2.35 billion.

All members of the Issuer's board of directors are also members of the Ping An Group's senior management team, which sets a cornerstone in ensuring the Issuer's business strategy is in line with the Ping An Group's overall business objectives. The Issuer has also invested in projects of strategic value to the Ping An Group. Additionally, the Issuer is an important offshore financing platform of the Ping An Group. It provides bridge financing to fulfil the offshore investment needs of fellow subsidiaries of the Ping An Group. As at 31 December 2020, the Issuer had approximately HK$108.7 million in loans to its fellow subsidiaries of the Ping An Group and because of the Issuer's strategic importance and high integration within the Ping An Group, it has been, and expects to continue to be, receiving strong parental support.

The Group is highly integrated within the Ping An Group and enjoys synergies with the members of the Ping An Group.

The Group is highly integrated within the Ping An Group. The Group's business growth is supported by demand for overseas asset allocation from the Ping An Group and its affiliates. In addition, the Group benefits from operating synergies with the Ping An Group. For example, the Group is able to leverage the channels of its affiliates, in facilitating the distribution of its asset management products to third parties. The Group is also able to leverage the operating system of the Ping An Group, including its information technology systems, financial reporting, investment procedures and risk management systems.

The Group serves as an important overseas investment platform for the Ping An Group. The Group is responsible for sourcing and managing offshore capital and non-capital markets investments for fellow subsidiaries of the Ping An Group. In return, the Group receives management fees, advisory fees or carried interest. As at 31 December 2020, the Group's assets under management ("**AUM**") for capital markets and non-capital markets investments reached approximately HK$171.6 billion. As at 31 December 2020, the Group's AUM for capital markets investments reached approximately HK$84.6 billion, of which 86 per cent. was contributed by Ping An Group and its affiliates, and the Group's AUM for non-capital markets investments reached approximately HK$87.0 billion, of which 59 per cent. was contributed by Ping An Group and its affiliates.

Market-oriented business model with a corporate culture that encourages innovation.

As part of the Ping An Group, the Group has had a proven track record of innovating and adjusting its operational model, management practice, product offering and infrastructure in response to changing market conditions, thereby allowing it to grow its business and improve its profitability. For example, the Group has initiated an artificial-intelligence project to analyse the market sentiment of potential investment targets and this information is sent directly to the various business units. This project was implemented in September 2018. The Issuer has also brought in Bloomberg, MSCI Barra and FactSet for risk management of various capital markets businesses. Bloomberg provides centralised risk management tools for the treasury investments while FactSet and MSCI Barra provide the factor-based performance and risk attribution analysis in order to achieve optimised risk allocations.

Use of technology to enable the Group to achieve cost control and offer high-quality services to its customers.

The Ping An Group has strong technical expertise, including in the rapidly developing field of artificial intelligence and machine learning. The Ping An Group focuses on three core technologies, namely artificial intelligence, blockchain and cloud computing. The Ping An Group uses technology to enable it to achieve cost control, enhance risk management, increase efficiency and offer high-quality services to its customers. For example, it has initiated an operational centralisation project since 2004 with an aim to build an integrated service back office with centralised management at the parent group level for all its business lines. In 2014, the Company made progress in the centralisation of its back office and operating platform, enabling the Ping An Group to substantially centralise the back-office operations in insurance underwriting, claims management, customer services and call centre, documentation processing and accounting processes among all of its major subsidiaries. As part of the Ping An Group, the Group also benefits from the centralised back office platform which facilitates the delivery of cross-product, unified and high-quality services to the Group's customers and provides the Group with enhanced efficiencies and increased production capacities. This in turn gives the Group a competitive advantage in terms of cost control and also increases the Group's quality of customer service. The centralised management system has also enabled the Group to centrally manage its operations in a more transparent, streamlined and standardised manner, which in turn allows the Group to improve its resource allocation efficiency and risk management.

Well-established brand name, coupled with an extensive customer base.

The Group's 25 years of operating history has led to widespread recognition of its brand name and service philosophy, which is expected to help gain a stable customer base and maintain a well-established brand image for its sustained growth. The Group was awarded the following accolades in the 2017 Bloomberg BusinessWeek Top Fund Awards: Best Performer, Hong Kong Equity Fund; Outstanding Performer, Hong Kong Equity Fund; and Outstanding Performer, RMB Bond Fund. In the same year, the Group's Ping An of China CSI HK Dividend ETF was named Best-in-Class in the BENCHMARK — Fund of the Year Awards 2017 (Hong Kong Equity — ETF) organised by WealthAsia Media. In 2018, the Group was awarded the following accolades: HKCAMA and Bloomberg — Offshore China Fund Awards (2018) — Best Total Return — Greater China Fixed Income (3 Year): Ping An of China SIF — RMB Bond Fund, Bloomberg BusinessWeek Top Fund Awards 2018: ETFs (NAV Total Return 1 Year) Equity — Hong Kong — Best Performer, Thomson Reuters Lipper Fund Award: Ping An of China SIF — RMB Bond Fund and The Asset Triple A Private Banking, Wealth Management, Investment and ETF Awards 2018: Editor's Triple Star: Innovative Indices. In 2019, the Group was awarded the following accolades: Bloomberg BusinessWeek Top Fund Awards 2019: Best Performer — Fixed Income — ETFs (NAV Tracking Error 1 Year) and Outstanding Performer — RMB Bond — Mutual Funds (5 Years). In the same year, the Group was awarded HKCAMA and Bloomberg — Offshore China Fund Awards 2019: Best Total Return — Greater China Fixed Income (3 Year) — 2nd Runner-up and Best Total Return — Greater China Fixed Income (5 Year) — 2nd Runner-up. In 2020, the Group was awarded the following accolade: Bloomberg BusinessWeek

Top Fund Awards 2020 Best Performer — RMB Bond — Mutual Funds (5 Years). In the same year, the Group was awarded HKCAMA and Bloomberg — Offshore China Fund Awards 2020: Best Total Return — Greater China Fixed Income (5 Year) — 2nd Runner-up. The Group believes that its well-established brand name and extensive customer base present it with opportunities to expand its business by analysing the characteristics of these customers and meeting their potentially growing demand for insurance and non-insurance products and services.

In addition, as part of the Ping An Group, the Group benefits from the strong brand name of the Ping An Group which helps drives its business development initiatives and activities in the business segments in which the Group operates.

Stable earning business model with steady growth potential and access to diverse sources.

The Group has a well-diversified and integrated business operation comprising three business segments, including asset management and advisory services, general insurance and investment activities. The Group's stable business growth is supported by the demand for overseas asset allocation from the Ping An Group and its affiliates. This is also bolstered by the Issuer's sound brand recognition, given its close affiliation with the Ping An Group.

Through its strong relationship with the Ping An Group and as a result of its prudent financial management approach, the Group has access to a well-diversified range of equity and debt funding channels which primarily include: (a) borrowings and capital injections from the Ping An Group, (b) borrowings from related companies, (c) borrowings from financial institutions, both internationally and domestically and (d) proceeds from offshore bond issuances.

Historically, the Group has been a frequent issuer in the capital markets and has issued bonds in a number of currencies at varying tenures to fund its financing needs. The bonds outstanding as at the date of this Offering Circular are shown as below:

Issue Date	Currency	Amount (million)	Coupon (%)	Maturity
28/9/2016	HKD	HKD1,550	3.000	28/9/2021
30/9/2016	USD	USD200	3.200	30/9/2021
30/9/2016	USD	USD100	3.200	30/9/2021
10/9/2018	USD	USD500	4.375	10/9/2023
28/5/2019	USD	USD300	4.250	28/5/2029
28/5/2019	USD	USD300	3.625	28/5/2024
2/6/2020	USD	USD600	2.750	2/6/2025
8/12/2020	CNY	CNY1,000	3.300	7/12/2021
8/12/2020	HKD	HKD770	1.100	7/12/2021
28/12/2020	SGD	SGD66	0.850	23/12/2021
25/2/2021	USD	USD250	2.950	25/2/2031

In addition to the Issuer's ability to tap into varied sources of funding, depending on market conditions, financing costs and leveraging on the Ping An Group's support, the Group is also able to secure favourable financing terms and maximise its funding efficiency as a result of its strong relationship with, and credit lines available from, financial institutions. The Group believes that its ability to obtain from such a wide variety of funding resources gives it a competitive advantage over its other competitors.

The Group has robust systems in place to monitor its financial conditions and performance and it proactively manages its debt exposure in order to maintain the strength of its balance sheet whilst maintaining an appropriate level of coverage. As a result of its prudent financial management approach, the Group has historically enjoyed a well-balanced debt maturity profile and has achieved a strong credit profile. The Group also closely monitors its current and expected liquidity requirements and has entered into uncommitted revolving standby loan facilities to ensure that it has sufficient cash reserves and adequate facilities to satisfy its short-term to medium-term liquidity requirements.

Prudent risk management and sound corporate governance and internal control capabilities.

The Group is dedicated to the continued improvement of its corporate governance structure and mechanism. It has established a corporate governance structure which aims at the international best practices. The Group has established an integrated risk management framework with a risk management committee (comprised of various sub-committees such as the Group ALCO Committee, the Group Risk Committee, the Ping An Asset Management HK Risk Committee and the Group New Product Committee) set up under the board of directors, which is primarily responsible for supervising and reviewing the implementation and assessment of the internal control system, addressing issues such as investment risk, liquidity risk, legal and compliance risk, reputational risk and information security and operational risk. The risk management committee continuously improves the effectiveness of the internal control system, risk governance structure and risk management mechanism.

In addition, the Group continuously improves its risk-management system and diligently adheres to rigorous safety procedures while seeking to continue strengthening its internal risk-management capability and awareness. By drawing on the risk-oriented solvency regulatory system of domestic insurance companies and with reference to the requirements of the venture capital system required by the Hong Kong insurance industry, the Group continues to implement a sound internal risk-management system and effective measures to monitor and control risks and raise awareness of internal risk-management.

The Group maintains a stable and sufficient solvency in accordance with Hong Kong regulatory requirements and intends to continue to maintain solvency at a high level to fully support the Group's future capital demand for business development and to cover the potential risks that the Group may face in asset investment and market transformation.

Experienced and strong management team.

The Group has a very experienced management team, as a result of which they bring substantial international expertise to the day-to-day management of the Group's operations. Each member of the Group's management team has extensive experience in the industry. At the same time, the Group's management team effectively combines its international expertise with extensive working knowledge of the needs and practices of the different industries the Group is engaged in. This combination has enabled the Group to stay at the forefront of innovation, as well as better adapt the Group to rapidly changing market environments by developing and introducing a range of product and service initiatives, distribution strategies, underwriting techniques and management and operational practices that have been developed by companies worldwide.

The Group has over 29 dedicated managerial professionals and their extensive experience, industry knowledge, and in-depth understanding of the market allows the Group to continue to capture new investment opportunities, expand its investment portfolio and expand into new markets.

Business Strategies

To develop and grow the Group's asset management business and product suite.

The Group's strategic objective is to establish itself as a leading offshore asset management platform in Asia. In particular, the Group plans to substantially expand its third-party asset management business over the next three to five years by building a full spectrum of investment and asset management product suite to cater for international enterprises and individuals. The Issuer intends to reach its objective via the following execution methods: (i) platform integration, (ii) talent building, (iii) profit generation and (iv) brand building. The Issuer's medium-term target is to achieve brand name recognition in investment and asset management. It also aims to establish effective product distribution channels to its third-party clients by building direct investment teams in main sectors. The Issuer's long-term target is to build professional direct investment teams in all asset classes.

Further strengthen the Group's investment activities and returns.

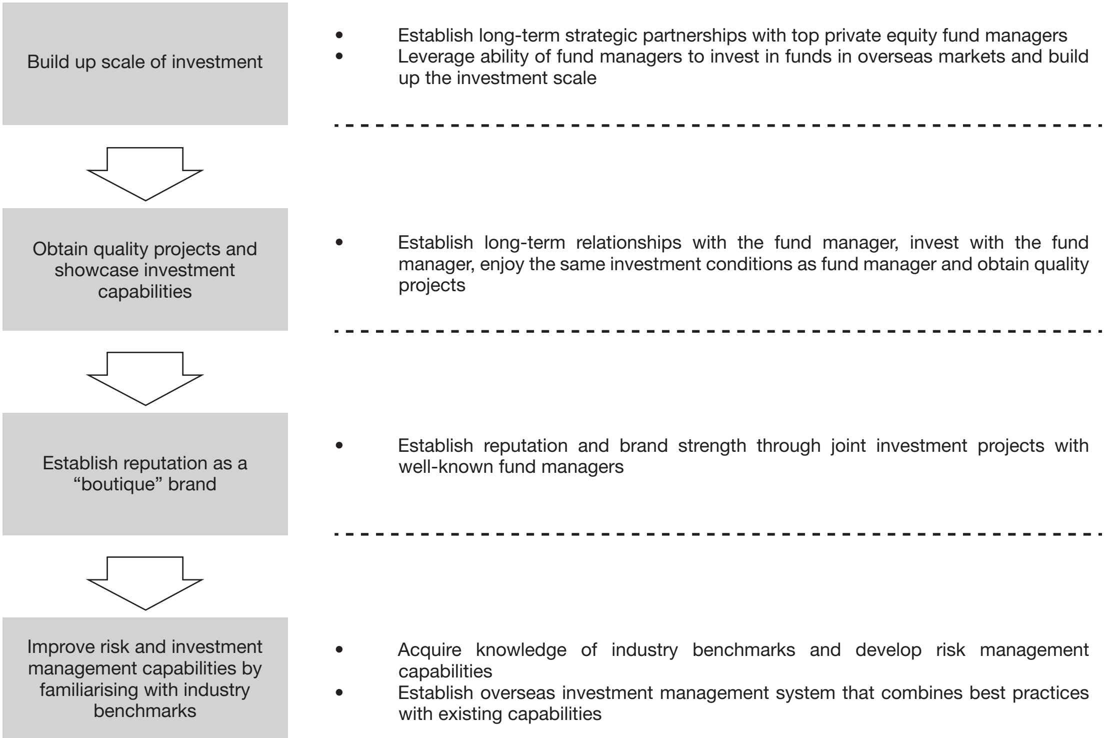
The Group plans to strengthen its capital markets investment activities and returns by adopting a multi-asset and multi-factor risk-reward strategy, continuously strengthening its management of exchange traded funds and diversifying its fixed income investment portfolio to include investments in emerging markets.

- *Fund of hedge fund:* the Group's product managers have many years of experience in global fund investment, and consistently maintain outstanding long-term performance. As one of the world's largest insurance financing group, the Group is able to invest in top global funds, covering multiple low-correlated asset classes that can reduce overall market risk exposure while maintaining expected returns and focus on capturing bottom-up investment opportunities to gain alpha returns.

- *Strengthening management of exchange traded funds:* the exchange traded funds managed by the Group has a proven track record of strong performance. The Group intends to continuously strengthen its management of exchange traded funds to maintain their historic strong performance.

- *Diversifying fixed-income investment portfolio:* the Group plans to diversify its fixed income investment portfolio to include investments in emerging market debt and establish a portfolio consisting mainly of emerging market sovereign bonds and government bonds, as well as corporate and bank bonds. The Group intends to achieve a high rate of stable return and capital appreciation through its diversified investment in emerging market debt.

In respect of non-capital markets investments, the diagram below sets out the Group's non-capital markets investment strategy:



In addition, the Group plans to strengthen its non-capital markets investment activities through focusing on active returns on non-capital markets investments, including, among other things, strengthening its private equity investment capacity, diversifying investment allocation, increasing its risk-adjusted return on investments and focusing on absolute return fixed income funds:

- Strengthening private equity investment capacity: the Group intends to maximise its rate of returns on private equity investments through fostering long-term and stable relationships with leading global private equity partners, project screening enhancement adopting comprehensive due diligence procedures and establishing post-investment management and operating systems.

  The Group utilises, among other things, the "fund of funds" investment method ("**FoF**") in its private equity investments to achieve risk-adjusted returns through the following:

  - *Diversification of investment allocation:* the Group allocates its investments according to the market environment to increase returns and investments diversification;

  - *Project sourcing:* relying on the Group's financial resources and strong relationships, the Group is able to expand its market coverage and access firsthand information on project investments;

- *Project screening:* the Group has established a rigorous project screening process and assesses potential project investments based on five criteria: performance and track record, reputation and experience of the team, philosophy and vision, logistical operations and their relationships with the Group;

- *Project due diligence:* the Group has in place a comprehensive due diligence process together with an extensive network of external professional consultants;

- *Post-investment management and operational system:* the Group's experienced investment, risk control and operations teams monitor and actively manage potentially risky project investments;

- *Diversifying investment allocation in private debt funds:* the Group strategically diversifies its investment allocation by selecting funds under the same asset category in order to increase its risk-adjusted return on its investment assets. By investing in private debt funds, the Group gains exposure to a larger pool of investment projects and products; and

- *Investing and expanding its investments in absolute fixed income funds:* through investing in absolute fixed income funds, the Group gains access to, and places investments with some of the most prominent, leading funds and through this create unique investment portfolios which cannot be replicated. The fund managers have many years of industry experience in funds and have a track record for success. In addition, the fund managers conduct extensive, rigorous diligence into the investments, risks, operations and teams of all funds under their management. The track record of the active return on investments are also above relevant market indices and benchmarks. Given the investments are highly diversified and cover low-correlation investments, they are able to achieve desired returns and simultaneously diversify and limit risk exposure at the portfolio level.

To develop the Group's own investment capability and philosophy.

In order to scale its investment activities and gain access to investment opportunities in the fastest possible time, the Group, in relation to certain investment activities, has had to partner with third-party asset managements as well as strengthen its relationship with private equity partners and fund managers. Going forward, the Group plans to focus on developing its own investment capability and philosophy by, among other things, developing its own suite of investment products. The Group intends to do so by leveraging on the platform offered by the Ping An Group such as the advantage of utilising its financial technology and professional team.

To drive operational efficiencies to further streamline the Group's business and reduce costs.

The Group is committed to improving profitability by reducing its operating expenses and continuing to enhance the efficiency of its operations. To this end, the Group is implementing various strategic initiatives that are designed to reduce expenses across its business sectors and to realise scale benefits, including building a centralised operational platform, enhancing standardisation in internal work flow procedures, and consolidating and streamlining corporate structure and back office processing operations by sharing resources in technology, marketing, distribution channel management, customer services, documentation processing and accounting.

In particular, the Group plans to enhance its core competencies by continuing to improve its integrated operational platform through the Ping An Group's centralised and professional information technology support systems, nationally centralised back-office systems and operational centres, as well as accounting processes. Furthermore, employing modern technologies, such as the internet and other digital platforms as well as artificial intelligence, allows the Group to more effectively target and serve its customers while reducing unit cost in marketing and managing differentiated products and services.

The Group's Business

As an investment holding company, the Issuer is engaged in a wide range of businesses through its subsidiaries, including asset management, investment activities and general insurance. These core businesses are discussed in more detail below.

The following table sets forth the adjusted profit of the Group for the years ended 31 December 2019 and 2020:

	Year ended 31 December	
	2019	2020
	HK$'000,000	
Consolidated Net Profit for the year	4,175	10,136
Adjusted for:		
— Unrealized loss/(gain) on convertible promissory note	542	(879)
— Gain on dilution of associates	(4)	(2,321)
— Net impairment losses of financial assets	568	1,346
Adjusted Profit	**5,281**	**8,282**

The following table sets forth the income of the Group derived from these core businesses for the years ended 31 December 2019 and 2020:

	For the year ended 31 December	
	2019	2020
	(audited) HK$'000,000	
Investment income	1,418	7,933
Interest income	1,101	1,382
Net earned insurance premiums	259	280
Fees and commission income	245	320
Net impairment losses of financial assets	(568)	(1,346)
Net realised gains on investments measured at amortised cost	2	3
Other income	278	526
Total income	**2,735**	**9,098**

The Group's Asset Management Business

Overview

The Group provides asset management services through the subsidiaries of the Issuer by launching non-capital markets investment products as well as capital markets investment products.

Ping An Asset Management HK was incorporated in Hong Kong in May 2006 and is a leading Chinese asset management company based in Hong Kong and is responsible for the overseas investment management and advisory business of the Ping An Group. Regulated by the Securities and Futures Commission in Hong Kong, Ping An Asset Management HK provides various services under its Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) licences. Ping An Asset Management HK manages a series of exchange traded funds under the Ping An of China Trust, which is an umbrella unit trust established under Hong Kong law, and other sub-funds under the Ping An of China Select Investment Fund Series, which is an umbrella structure unit trust established under Hong Kong law. As at the date of this Offering Circular, Ping An Asset Management HK is a wholly-owned subsidiary of the Issuer with an issued share capital of HK$345 million.

Ping An Asset Management HK also provides investment products and third-party asset management services for third-party customers through various channels. In addition, it provides Qualified Domestic Institutional Investor (QDII) and Qualified Foreign Institutional Investor (QFII)/Renminbi Qualified Foreign Institutional Investor (RQFII) advisory services to institutions. Since 2007, Ping An Asset Management HK has been licensed by the Hong Kong Securities and Futures Commission to provide asset management services and consultancy services for securities transactions or futures contracts. Apart from managing investments for other subsidiaries of the Ping An Group, Ping An Asset Management HK also offers various types of overseas investment products and third-party investment management services to customers from the PRC and overseas.

As at 31 December 2020, the Group has formed strong working partnerships with approximately 38 key private equity firms and fund management companies overseas, exceeding US$20 billion in terms of investment commitment. Combine this paragraph with the previous paragraph.

Given its strength in financial technology and healthcare database, the Group is widely recognised as a preferred investment partner amongst the world's top private equity managers. The Group also leverages its robust digital business capabilities, strong investment platform and wide customer base to provide practical, strategic support to private equity managers interested in entering the PRC market. At the same time, the Group has benefited from such relationships in terms of increased access to prime investment opportunities and widened investment scope. The Group remains competitive in the face of large sovereign funds and continues to acquire access to strategic resources. The Group plans to exploit its existing capabilities in this area to develop its third-party businesses.

For the years ended 31 December 2019 and 2020, the Group earned HK$245 million and HK$320 million in fees and commission income, respectively.

Asset management in capital markets

As at 31 December 2019 and 2020, Ping An Asset Management HK's AUM for investment in capital markets and non-capital markets were approximately HK$141.2 billion (including HK$74.8 billion of investment in capital markets) and HK$171.6 billion (including HK$84.6 billion of investment in capital markets), respectively.

Insurance funds from the Ping An Group is a major source of AUM for investment in capital markets for Ping An Asset Management HK. As at 31 December 2020, out of Ping An Asset Management HK's AUM for investment in capital markets of HK$84.6 billion, around 86 per cent. was contributed by the Ping An Group and its affiliates. For the year ended 31 December 2020, management fee and commission income of the Ping An Asset Management HK derived from its asset management business in capital markets reached HK$117.7 million.

The following sets out the exchange traded funds, mutually recognised funds and unit trusts managed by Ping An Asset Management HK as at 31 December 2020:

	Total Net Assets	**Management Fee**
	(unaudited)	
	(HK$'000,000)	**(per cent. per annum)**
Ping An of China CSI HK Dividend ETF (Stock Code: 3070) *(an index-tracking exchange traded fund, which seeks to track the performance of the CSI Hong Kong Dividend Index)*	750	0.55
Ping An of China CSI 5–10Y CGB ETF (Stock Code: 3080) *(an index-tracking exchange traded fund, which seeks to track the performance of the CSI PingAn 5–10y CGB Benchmark Index)*	319	0.35
Ping An of China SIF — RMB Bond Fund *(a unit trust which seeks to provide total return comprised of interest income and capital growth by investing principally in RMB denominated fixed or floating rate debt securities)*	196	1
Ping An of China Asset Management Fund — Emerging Market Income Fund	793	0.6–2
Ping An of China Asset Management Fund — China High Yield Private Strategy Bond Fund	410	0.6–2
Ping An of China Asset Management Fund — China Green Bond Fund	736	0.3–1
Ping An of China Asset Management Fund — China A-shares AI Multi-Factor Fund	230	0.75–1.5

Ping An of China CSI HK Dividend ETF

The Ping An of China CSI HK Dividend ETF (the "**HK Dividend ETF**") is a sub-fund of the Ping An of China Trust. The HK Dividend ETF is a passively managed index tracking exchange traded fund and its units are listed on the Hong Kong Stock Exchange. The HK Dividend ETF's investment objective is to seek to track the performance of the CSI Hong Kong Dividend Index. In order to achieve the investment objective, the HK Dividend ETF intends to primarily adopt a replication strategy to track the performance of the CSI Hong Kong Dividend Index. The HK Dividend ETF directly invests in substantially all of the constituent securities of the CSI Hong Kong Dividend Index in substantially the same weighting as these securities have in the CSI Hong Kong Dividend Index.

The HK Dividend ETF does not intend to invest in financial derivative instruments, futures contracts, options on futures contracts, options and swaps or local currency and foreign currency exchange contracts for hedging or investment purposes. The HK Dividend ETF has no intention of having any direct or indirect exposure to China A Shares or B Shares as the CSI Hong Kong Dividend Index does not comprise of China A Shares or B Shares. As at the date of this Offering Circular, the HK Dividend ETF does not intend to engage in any stock lending or stock borrowing, or repurchase transactions or other similar over-the-counter ("**OTC**") transactions.

The CSI Hong Kong Dividend Index, launched on 23 July 2009, is a stock index which seeks to reflect the performance of high dividend yield securities in the Hong Kong market by selecting the 30 securities with high dividend yield, stable dividend payment and good liquidity from the entire universe of securities listed on the Hong Kong Stock Exchange. The CSI Hong Kong Dividend Index is compiled and managed by China Securities Index Co., Ltd. (the "**Index Provider**"). As at 31 March 2020, the market capitalisation in the index was HK$1,578.60 billion comprising 30 stocks listed on the Hong Kong Stock Exchange from companies with operations in sectors ranging from real estate to financial and energy, etc.

Ping An of China CSI 5–10Y CGB ETF

The Ping An of China CSI 5–10Y CGB ETF (the "**CGB ETF**") is a sub-fund of the Ping An of China Trust. The CGB ETF is a passively managed index tracking exchange traded fund and its units are listed on the Hong Kong Stock Exchange. The CGB ETF's investment objective is to seek to track the performance of the CSI PingAn 5–10y CGB Benchmark Index. In order to achieve the investment objective, the CGB ETF intends to primarily adopt a representative sampling strategy to track the performance of the CSI PingAn 5–10y CGB Benchmark Index. The CGB Index comprises constituent bonds which are PRC government bonds issued by the Ministry of Finance of the PRC ("**CGBs**") denominated and settled in RMB and issued and distributed within the PRC.

Exposure to CGBs will be gained via investing in the PRC inter-bank bond market primarily through the "Bond Connect" initiative launched in July 2017 for mutual bond market access between Hong Kong and the PRC. However, Ping An Asset Management HK may, in exceptional circumstances, invest in CGBs distributed outside of the PRC and settled in offshore RMB **provided that** the portfolio closely reflects the overall characteristics of the CSI PingAn 5–10y CGB Benchmark Index. The CGB ETF may also utilise the "Foreign Access Regime" which allows foreign institutional investors to invest in the PRC inter-bank bond market and/or other means as may be permitted by the relevant regulations from time to time. Up to 100 per cent. of the Net Asset Value will be invested in CGBs.

There is no current intention for the CGB ETF to (i) invest in any financial derivatives (including structured products or instruments) for hedging or non-hedging purposes, (ii) invest in urban investment bonds, (iii) invest in structured products or instruments, structured deposits, asset backed securities, asset backed commercial papers and mortgage backed securities, or (iv) enter into securities lending, repurchase transactions, reverse repurchase transactions or other similar OTC transactions.

The CSI PingAn 5–10y CGB Benchmark Index, launched on 25 October 2017, is an index to effectively reflect and track the liquid 5–10 years tenor CGB market. The CSI PingAn 5–10y CGB Benchmark Index is a total return index. A total return index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested. The CSI PingAn 5–10y CGB Benchmark Index is calculated and denominated in RMB. The CSI PingAn 5–10y CGB Benchmark Index is compiled and managed by the Index Provider. CGBs listed on both the PRC inter-bank bond market and stock exchange market with a minimum size of RMB10 billion, issue terms of 5, 7 or 10 years, and a remaining term to maturity of no less than 4 years (for 5-year CGBs), 5.5 years (for 7-year CGBs) and 8 years (for 10-year CGBs), are eligible for inclusion in the CSI PingAn 5–10y CGB Benchmark Index. The constituents of the CSI PingAn 5–10y CGB Benchmark Index are fixed-rate interest bearing. Weighting of the CSI PingAn 5–10y CGB Benchmark Index is calculated using a formula based on size, issue date and remaining term of each eligible CGB.

Ping An of China SIF — RMB Bond Fund

The RMB Bond Fund is a sub-fund of the Ping An of China Select Investment Fund Series. The RMB Bond Fund seeks to provide total returns comprised of interest and income and capital growth by investing principally in RMB denominated fixed or floating rate debt securities. It invests primarily in RMB denominated debt instruments issued or distributed outside the PRC. The RMB Bond Fund may also invest in RMB denominated deposits issued outside the PRC including but not limited to bank certificates of deposits, bank deposits and negotiated term deposited with authorised financial institutions and instruments issued outside the PRC including convertible bonds, commercial papers and short-term bills and notes issued by government, quasi-government organisations, financial institutions, multinational organisations and other corporations. Ping An Asset Management HK currently does not intend to enter into any securities lending or repurchase transactions in respect of the RMB Bond Fund.

Asset management in non-capital markets

The Group has established strong partnerships with approximately 38 of the world's top investment managers for investment allocation and management. As at 31 December 2020, the Group's non-capital markets AUM reached HK$87.0 billion. For the year ended 31 December 2020, management fees, advisory fees and carried income of the Group derived from its asset management in non-capital markets activities reached HK$229.4 million.

In April 2019, the Group secured approximately U.S.$758 million in capital commitments to its Ping An Global Infrastructure Funds (the "**Infrastructure Funds**"), anchored by Ardian. The Infrastructure Funds' investments are and are intended to be focused on telecommunication, transportation, midstream, power, utilities and other infrastructure assets. This provides third party investors the opportunity to invest alongside the Group in fund investments and co-investments in the infrastructure sector in primarily member countries of the Organisation for Economic Cooperation and Development.

In October 2020, the Group closed approximately U.S.$875 million of capital commitments for its Ping An Global Equity Fund (the "**PA Global Equity Fund**") and Ping An Global Equity Selection Funds (the "**PA Selection Fund**") from a group of global investors, anchored by GIC and Montana Capital Partners. The PA Selection Fund operates a fund of funds program that was invested by Ping An into a well-diversified portfolio of top-tier buyout managers in North America and Europe and was transferred as part of a secondary transaction. The PA Global Equity Fund is set up to capture the co-investment opportunities sourced from Ping An Overseas Holdings' extensive network of global general partner relationships. The two funds represent the Group's first dedicated investment programme focusing on overseas private equity investing and provide third party investors the opportunity to invest alongside the Group in fund investments and co-investments in the private equity sector in developed markets.

Investment advisory services

Leveraging on its strong PRC investment expertise, Ping An Asset Management HK's investment managers provide a variety of PRC/Hong Kong and RMB-related investment solutions to institutional investors and fund distributors. Ping An Asset Management HK's investment team covers Macro & Asset Allocation, Equity Portfolio Management, Fixed Income & Money Market Portfolio Management, Quant Portfolio and ETF Management, as well as Fund of Funds Management & External Advisory services.

Corporate social responsibility

In September 2019, Ping An Asset Management HK announced that it has adopted the Global Investment Performance Standards, which is a set of globally accepted, non-compulsory, industry-wide ethical standards that guide investment management firms on how to establish consistent and transparent reporting for current and prospective investors, with fair representation and full disclosure. Ping An Asset Management HK's compliance with the standards has been independently verified for the period 1 January 2014 through to 31 December 2018.

In September 2020, Ping An Asset Management HK published the first Annual Green Impact Report 2019–2020 on China Green Bond Fund.

The Group's Investment Activities

Overview

The Group is also responsible for sourcing and managing offshore non-capital markets investments for the fellow subsidiaries of the Ping An Group. In respect of capital markets investments such as listed and unlisted debt securities, listed and unlisted funds and listed and unlisted equity investments, the Group utilises its own funds. The key investment segments of the Group include (i) self-investments, (ii) investments of strategic value to the Ping An Group and (iii) offshore financing to the Ping An Group.

Self-investments

The Group derives income from its investment business through various sources, such as dividends received from its capital markets investments in listed and unlisted debt securities, listed and unlisted funds and listed and unlisted equity investments. In respect of its investments in debt securities and as at the date of this Offering Circular, investment grade bonds make up over 70 per cent. of the Group's portfolio while high yield or unrated bonds make up less than 30 per cent. In addition, the Group receives interest income from loans to third parties and loans to fellow subsidiaries and associates within the Ping An Group. Such loans are typically unsecured, non-revolving credit facilities with a tenor ranging from less than one year to six years, carrying interest rates ranging from four to nine per cent. per annum. The following table sets forth dividends and income received from certain segments of the Group's investment activities for the years ended 31 December 2019 and 2020:

	For the year ended 31 December	
	2019	**2020**
	(audited) (HK$'000)	
Dividends received from		
Financial assets at fair value through profit or loss ("**FVPL**")	673,119	2,086,139
Interest income from:		
Bank deposits	27,517	150,649
Derivatives, net	70,390	(59,960)
Loans to third parties	184,815	306,221
Loans to fellow subsidiaries and associates	496,568	129,045
Debt securities measured at fair value through profit or loss	71,228	114,217
Debt securities measured at amortised cost	156,994	530,612
Debt securities measured at fair value through other comprehensive income	235,569	265,135
Convertible promissory note	58,726	58,139
	1,974,926	**3,580,197**

The following table sets forth the financial assets mandatorily measured at FVPL held by the Group as at 31 December 2019 and 2020:

	2019	**2020**
	(HK$'000)	
Listed equity investments	1,409,477	2,158,418
Unlisted equity investments	3,284,437	5,671,186
Listed fund investments	354,450	402,917
Unlisted fund investments	21,665,002	27,514,784
Listed debt securities	745,293	1,100,777
Unlisted debt securities	1,911,102	2,562,762
Convertible promissory notes	13,415,580	15,405,637
	42,785,341	**54,816,481**

In addition, as the offshore investment platform of the Ping An Group, the Group, through its major project investment subsidiaries, regularly makes investments and manages funds in different industries such as innovation, healthcare industries, emerging enterprises. The following table sets forth the particulars of the Group's major project investment subsidiaries as at 31 December 2020:

Name	Place of incorporation	Share capital	Percentage of direct equity attributable to the Issuer	Principal activities
		(unaudited)	(unaudited)	
Overseas W.H. Investment Company Limited	Cayman Islands	U.S.$4,643,959,358	100	Project investment

Name	Place of incorporation	Commitment for Limited Partnership	Percentage of direct equity attributable to the Issuer	Principal activities
		(unaudited)	(unaudited)	
Ping An Global Voyager Fund, LP . . .	Cayman Islands	U.S.$1,000,000,000	100	Project investment

Investments of strategic value to the Ping An Group

The Issuer from time to time manages its strategic investments through its associates which are engaged in various businesses, including financial leasing and online financing platform activities. As at 31 December 2020, the Issuer holds a 29.22 per cent. stake in Ping An Financial Leasing and a 15.43 per cent. stake in Lufax, the ultimate holding company of Shanghai Lujiazui International Financial Asset Exchange Co., Ltd. Both Lufax and Ping An Financial Leasing are important operating subsidiaries within the Ping An Group which are described in more detail below.

The Group's interest in associates as at 31 December 2019 and 2020 was HK$18,036,444,754 and HK$25,416,596,707, respectively.

Ping An Financial Leasing

Ping An Financial Leasing was founded in 2012 and is a wholly-owned subsidiary of the Ping An Group, specialising in leased assets. As a pioneer of the "**Innovative Leasing 2.0**" concept, Ping An Financial Leasing focuses on financial leasing, industry leasing, individual consumer leasing, and small micro financing. The business of Ping An Financial Leasing mainly involves industries such as urban development, energy and metallurgy, project construction, corporate financing, education and culture, manufacturing, light industry, small micro financing, factoring, individual financing, tourism, auto finance and city operation. Ping An Financial Leasing's business networks extend throughout the PRC and as at the date of this Offering Circular, it has 20 offices across the PRC. As at 31 December 2020, Ping An Financial Leasing's total assets reached RMB277,961 million, an increase of 9.22 per cent. from the year ended 31 December 2019. For the year ended 31 December 2020, its revenue and net profit reached RMB19,423 million and RMB3,846 million, respectively, down 1.24 per cent. and 13.35 per cent. year on year, respectively.

As a testament to the Group's pan-healthcare strategy, Ping An Financial Leasing established the Ping An Health (Check) Center, pioneering the "**3-in-1**" health check model which combines image-based diagnosis with medical examination and precision physical examination. In addition, Ping An Financial Leasing has strengthened its presence in the internet field through three mobile apps, namely, "**Online Customers**", "**Online Employees**" and "**Online Resources**".

As a strategic subsidiary of the Ping An Group, Ping An Financial Leasing is able to obtain offshore debt quota of up to ten times its capital.

Lufax

The Issuer acquired 19.99 per cent. of the issued shares of Lufax (formerly known as Wincon Investment Company Limited) in 2014. Founded in 2011 in Shanghai, Lufax is one of China's leading technology-powered personal financial services platform with a steadily growing scale and stable credit quality. It principally engages in wealth management, retail credit facilitation services and institutional businesses. Lufax is committed to addressing the large unmet demand for lending among small and micro-business owners as well as salaried workers in China, and providing tailor-made wealth management solutions to China's fast growing middle class and affluent population.

In 2020, amid the COVID-19 pandemic, Lufax maintained steady business growth. For the year ended 31 December 2020, Lufax recorded revenue of RMB52,046 million representing an increase of 8.8 per cent. year on year. Lufax's net profit for the year ended 31 December 2020 decreased by 7.8 per cent. year on year to RMB12,276 million, mainly due to C-round restructuring costs. Net profit excluding the impact of C-round restructuring costs for the year ended 31 December 2020 grew by 2.1 per cent. year on year to RMB13,602 million. In 2020, the balance of loans grew steadily, and credit quality remained solid. As at 31 December 2020, the ratio of loans more than 30 days overdue increased 0.1 percentage points year on year to 2.0 per cent.

The listing of Lufax's ADSs on the New York Stock Exchange (stock code: LU) was approved in October 2020 and the trading of ADSs commenced on 30 October 2020 (New York time). As at 31 December 2020, the Issuer holds a total of 189,905,000 ordinary shares of Lufax, representing approximately 15.43 per cent. (following the exercise of the greenshoe option) of its total issued share capital.

In wealth management, Lufax provides the middle class with diverse personalised products and services. As at 31 December 2020, Lufax has provided 14.88 million active investor customers with over 9,500 products and personalised financial services through partnerships with over 430 institutions on assets under its unique hub-and-spoke business model. The number of the Group's active investor customers in the year ended 31 December 2020 has increased by 19.0 per cent. as compared to the year ended 31 December 2019. In 2020, Lufax rapidly adjusted its product portfolio and sought cooperation with trust companies and banks to rebuild its product advantages. Lufax employs artificial intelligence and machine learning to match products with customers in real time based on Know Your Customer (KYC), Know Your Product (KYP) and Know Your Intention (KYI) in diverse scenarios. In this way, Lufax recommends the right products to the right customers by the right means at the right time. As at 31 December 2020, 76 per cent. of the customer assets on Lufax's platform are from customers with assets of over RMB300,000.

As at 31 December 2020, Lufax had 46.16 million registered users on its wealth management platform, up 4.9 per cent. from the beginning of 2020. Client assets increased by 23.0 per cent. from the beginning of 2020 to RMB426,571 million. The wealth management transaction volume fell by 6.4 per cent. year on year in 2020 as Lufax optimised its product portfolio by reducing the proportion of products with frequent transactions but unsatisfactory profitability.

In retail credit facilitation, as a leading offline-to-online ("**O2O**") non-bank retail credit facilitation services provider in the PRC, Lufax integrates high-quality resources in the financial services ecosystem. With 16 years' operating experience in retail credit facilitation, Lufax provided 14.48 million micro-, small and medium-sized business owners and retail customers with O2O lending services from offline consultation to online application as at 31 December 2020. In addition, Lufax has enabled 63 institutional funding partners to identify borrowers' risks with its increased application of artificial intelligence in areas including borrower acquisition, customer risk identification, and loan management. Capitalising on its O2O service model, Lufax increased the balance of retail credit facilitated by 17.9 per cent. from 31 December 2019 to RMB545,145 million as at 31 December 2020 notwithstanding the fact that the credit business of the financial industry was impacted by COVID-19 to different degrees and that Lufax had tightened its approval standards. Lufax closely monitors asset quality and risks in various regions and sectors, and adjusted lending policies for regions and sectors hardest hit by COVID-19. Moreover, Lufax proactively applied artificial intelligence to post-lending services and repayment reminders, effectively mitigating the impact of COVID-19 on asset quality.

Offshore financing to members within the Ping An Group

The Group provides bridge financing for members within the Ping An Group's offshore investments and the Group has made significant loans and advances to members within the Ping An Group. As at 31 December 2020, the Group had about HK$108.7 million loans to fellow subsidiaries within the Ping An Group which was a decrease for the loans to fellow subsidiaries within the Ping An Group as at 31 December 2019 which was HK$6.5 billion.

The Group's General Insurance Business

Overview

The Group offers insurance products through Ping An Insurance HK, a wholly-owned subsidiary incorporated in Hong Kong, to customers mainly based in Hong Kong. Ping An Insurance HK offers a wide range of insurance products, such as automobile insurance, commercial property insurance (including fire insurance), engineering insurance, accident insurance, cargo insurance and liability insurance, and distributes its insurance products primarily through agencies and brokerages based in Hong Kong. The following sets out net earned premiums on insurance contracts for the periods indicated:

	For the year ended	
	2019	2020
	(audited) HK$'000	
Gross earned premiums on insurance contracts:		
Insurance contracts premium written	449,992	498,134
Gross change in unearned premium provision	(39,182)	(24,547)
Gross earned premiums	**410,811**	**473,587**
Reinsurers' share of gross earned premiums on insurance contracts:		
Reinsurers' share of premium written	173,391	205,097
Reinsurers' share of change in unearned premium provision	(21,588)	(11,672)
Reinsurers' share of gross earned premiums	**151,803**	**193,424**
Premiums earned, net of reinsurance:		
Total premium written, net	276,601	293,038
Total change in unearned premium provision, net	(17,594)	(12,874)
Total net earned premiums	**259,007**	**280,164**

The following table sets forth the insurance receivables for the periods indicated:

	For the year ended 31 December	
	2019	2020
	(audited) HK$'000	
Amounts due in respect of:		
Premium receivables from direct underwriting and reinsurance inward	49,362	77,142
Due from reinsurance companies in respect of claims paid and other balances	70,743	80,200
	120,105	**157,342**

Ping An Insurance HK's trading terms with its customers are mainly on credit. The credit period is generally one month extending up to three months for major customers. Ping An Insurance HK seeks to maintain strict control over its outstanding receivables and to minimise its risk. Overdue balances are reviewed regularly by senior management. Ping An Insurance HK's trade receivables related to a large number of diversified customers and Ping An Insurance HK believes that there is no significant concentration of credit risk to individual customers.

Distribution Network

Ping An Insurance HK has an extensive, multi-channel distribution network for its general insurance company. Ping An Insurance HK markets its general insurance products primarily through sales agencies and brokerage based in Hong Kong. As at 31 December 2020, Ping An Insurance HK had approximately 600 sales agents/brokers to market its individual insurance products. It has also enhanced its distribution and service capabilities through innovative distribution channels, such as its online platform and short messaging services on mobile phones.

Reserves

Ping An Insurance HK establishes reserves, carried as liabilities, which are actuarially determined amounts to meet the Ping An Insurance HK's obligations under its general insurance and property and casualty insurance products. The reserve movement is a significant component for Ping An Insurance HK's operating results and increases or decreases in reserves could have a material impact on Ping An Insurance HK's financial condition and results of operations. Ping An Insurance HK is also required to maintain, for purposes of its Hong Kong statutory accounts, statutory reserves that are determined pursuant to the Insurance Ordinance (Cap. 41) of Hong Kong, as well as Hong Kong statutory accounting standards, which are different in certain material respects from the Group's reserves determined for purposes of its consolidated financial statements prepared in accordance with HKFRS.

The principal types of reserves in consolidated financial statement are claim reserves and unearned premium reserves.

Claim reserves

Ping An Insurance HK maintains claim reserves for its insurance contract liabilities provided for claims under its property and casualty and short-term insurance policies. Claim reserves include incurred and reported reserves, incurred but not reported reserves and claim expense reserves.

Unearned premium reserves

Ping An Insurance HK maintains unearned premium reserves for its unexpired insurance obligations under its property and casualty and short-term insurance policies. Ping An Insurance HK calculates these reserves on a *pro rata* basis over the term of the related policy coverage, usually the 1/24 method, and the unearned premium reserve represents the portion of net written premiums relating to unexpired coverage.

The establishment of reserves is an inherently uncertain process, and therefore, Ping An Insurance HK cannot provide any assurance that ultimate losses will not differ from its initial estimates. See "*Risk Factors — Risk relating to the Group's Insurance Business — Differences between actual benefits and claims experience and underwriting and reserving assumptions, could have a material adverse effect on its financial condition and results of operations*". For more information about Ping An Insurance HK's reserves and reserving practices, please refer to the Group's financial information included elsewhere in this Offering Circular.

Reinsurance

Ping An Insurance HK reinsures a portion of the risk that it assumes under its insurance policies to reduce its exposure to loss, stabilise its earnings and protect its capital resources. Ping An Insurance HK cedes to reinsurers a portion of these risks in exchange for a portion of the premiums it receives with respect to these policies. Ping An Insurance HK also purchases additional reinsurance based on its risk management needs.

Moreover, Ping An Insurance HK purchases additional catastrophic reinsurance treaties to cover natural disasters such as earthquakes, floods and windstorms for amounts in excess of its retention levels to ensure sufficient reinsurance coverage and the proper management of Ping An Insurance HK's risk exposure.

To reduce its reinsurance concentration risk, Ping An Insurance HK has established reinsurance programmes with various leading international reinsurers. Ping An Insurance HK's criteria for selecting reinsurers includes financial strength, service, terms of coverage, claims settlement efficiency and price. Ping An Insurance HK's principal property and casualty insurance reinsurers include China Property & Casualty Reinsurance Company Ltd., Swiss Re, Munich Re and Hannover Re Group.

Risk Management

The Group has established an integrated risk management framework with a risk management committee (comprised of various sub-committees such as the Group ALCO Committee, the Group Risk Committee, the Ping An Asset Management HK Risk Committee and the Group New Product Committee) set up under the board of directors, which is primarily responsible for supervising and reviewing the implementation and assessment of the internal control system, addressing issues such as investment risk, liquidity risk, legal and compliance risk, reputational risk and information security and operational risk.

Risk Management Framework

The risk management committee is responsible for identifying the Group's major risks, supervising the effectiveness of risk management, as well as deliberating the following issues and making recommendations to the board of directors:

- overall risk appetite, risk management, policies and guidelines;
- risk management organisational structure and duties;
- risk assessment of major management decisions and proposal of significant risks mitigation plan; and
- periodic post-trade risk monitoring report.

The risk management committee has the following duties: developing the overall risk appetite, policies and guidelines of risk management according to the Issuer's business strategy, guiding the subsidiaries' risk management organisational structure and overseeing their duties, monitoring the Group's risk exposure and available financial resources, as well as providing an early warning function and recommending measures to mitigate risks. The committee also supervises the effectiveness of risk management in subsidiaries or business lines and monitors risk-related follow-ups and other developments.

The group risk management department under the internal control centre is responsible for supporting the operation of the risk management committee, establishing and strengthening the enterprise risk management framework across the Group, identifying, evaluating and monitoring the risk profiles of subsidiaries by continuously improving risk management tools and techniques, as well as developing risk control measures and reporting.

Internal control mechanisms within the subsidiaries are responsible for applying compliance and risk management into the subsidiary's daily operations. The subsidiaries' risk management functions are to adhere to the regulatory authorities' requirements, implement the Group's risk policies and guidelines, as well as to coordinate control measures to mitigate risks and monitor and execute risk management tasks.

Major Risk Management

The Group adopts both quantitative and qualitative approaches to evaluate risk and 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 taking and profit making.

Market risk

Market risk refers to the potential loss for the Group as a result of changes in interest rates, market prices, foreign currency exchange rates and other related risk factors. The major market risk types for the Group include interest rate risk, equity risk and foreign currency risk.

The Group's market risk is managed through the following mechanisms and processes:

- establishing and implementing a series of internal management guidelines on investments and managing market risk, by reviewing strategic asset allocation and asset and liability management;

- performing a periodic effective market risk management through scenario analysis, Value-at-risk ("**VaR**") and stress testing methods based on capital investment and market risk management characteristics;

- setting risk limits for each asset class to control market risks. When setting these limits, the Group will take into account the risk strategy, financial impact and asset and liability management strategy; and

- regulating the risk reporting system, issuing fortnightly risk reports and making recommendations to the risk management committee to ensure that the market risk exposure is within the risk tolerance level.

Interest rates

Fixed-income securities held by the Group are exposed to interest rate risk. These investments are substantially represented by bond investments. The Group uses various tools such as scenario analysis, VaR and stress testing to evaluate its risk profile. Interest rate sensitivity is estimated by assuming a 100 basis-point parallel shift and yield curve sharpening or flattening of the government bond yield curve.

The interest rate re-pricing risk of the banking business is assessed primarily through a gap analysis approach. The yield mismatch resulting from re-pricing is reduced by adjusting the re-pricing frequency and the duration grade of corporate instruments in accordance with the results of the gap analysis.

Market price

Exchange-listed equity investments held by the Group are exposed to market price risk.

These investments are mostly represented by equity securities and equity investment funds.

The Group uses the 10-day market price VaR technique to estimate its risk exposure. Market price VaR supposes a maximum loss in the value of the Group's portfolio of equity investment due to an adverse market event within a specified timeframe of 10 days and a high level of probability of 95 per cent.

Foreign currency

Foreign currency-denominated assets held by the Group are exposed to foreign currency risk. These assets include monetary assets, such as deposits and bonds held in foreign currency, and non-monetary assets measured at fair value, such as stocks and funds held in foreign currency. The Group's foreign currency-denominated liabilities are also exposed to fluctuations in exchange rates. These liabilities include monetary liabilities measured at fair value. The Group's exposure to fluctuations in exchange rates which relate to the aforementioned assets and liabilities offset each other.

Liquidity Risk

The Group manages its liquidity risk and aims to fulfil its payment obligations by matching the investment terms of assets with the terms of corresponding insurance liabilities in order to provide funds to the credit and investment business of the Group.

The Group is also exposed to potential liquidity risk, which is controlled by the Group by optimising the structure of assets and liabilities and maintaining a stable asset and liability base.

Asset and Liability Management

The major asset allocation risk of the Group arises in respect of asset and liability management, where the duration of assets and liabilities of the Group cannot be effectively matched. Under the current regulatory and market environment, the Group is unable to lock in sufficient liability with a long enough duration to match that of its assets. When the regulatory and market environment allows, the Group intends to gradually lengthen the duration of its liability.

Credit risk

Credit risk is the risk of loss resulting from the failure of any of the Group's obligors to make any payment of principal or interest in full or when due. The Group is exposed to credit risk primarily associated with its bond investments, reinsurance arrangements and off-balance sheet related arrangements.

The Group manages credit risk by several methods, including:

- adopting a credit risk management mechanism with credit risk ratings as its core methodology;
- developing standardised policies, systems and procedures of credit risk management;
- setting credit risk and concentration limits in multiple dimensions for investments and portfolios; and
- internal credit research and evaluate the asset credit risk via the internal credit scoring system.

Due to the difference in business nature and risk involvement in the insurance and investment sectors, the Group uses the following tailored control mechanisms:

Insurance-related credit risk

The Group will perform credit evaluations of potential reinsurance companies and target those with superior ratings to conduct business with.

Investment-related credit risk

The Group will conduct credit evaluations of potential investments, target those with a positive safety rating and set credit risk limits on portfolios from multiple dimensions. The Group sets limits for amounts of credit granted to any one individual investment entity to minimise the impact of a single entity's fair value deterioration on the financial conditions of the Group.

Operational risk

Operational risk is the risk of losses resulting from internal operational failures or uncontrollable external events. Internal operational failures occur due to inadequate or failed internal processes (process risk), system failure (system risk), and human performance failure or corruption (personnel risk). Uncontrollable external events that contribute to operational risk mainly refer to legal events or changes in regulatory requirements, such as adjustments in tax laws and accounting standards.

The Group has established a comprehensive risk management framework covering preemptive safeguards, ongoing monitoring, and post hoc investigations:

- *Compliance Management:* in order to achieve a sound pre-emptive risk management and control, the Group utilises establishment of systems and policies, compliance assessments and regular compliance reviews, compliance risk warnings and prevention strategies, and internal control assessments and reporting mechanisms.
- *Risk management:* The continuously upgraded risk management tools have been implemented in accordance with the Group's business needs. More hypothetical and stressed scenario testing is exercised via the Bloomberg multi asset risks system, which provides the comprehensive structure of a centralised risk management information platform for product full life cycle by quantifying, monitoring, monitoring and reporting of the product risks.

Solvency Management

Solvency refers to the capability to repay Ping An Insurance HK's obligations. The core purpose of solvency management is to meet statutory capital and maintain a healthy capital ratio in order to support business growth and maximise shareholders' value.

The current framework as at the date of this Offering Circular is a rules-based capital adequacy framework. See "*Risk Factors — Risks relating to the Group's Insurance Business — If the Group cannot obtain capital in a timely manner to satisfy the regulatory requirements regarding solvency margin, the authorities may impose regulatory sanctions on the Group, which may have a material adverse effect on its business and results of operations.*"

The mechanisms adopted by the Ping An Insurance HK to manage its solvency include:

- analysing solvency requirements and the impact on regulatory capital when developing new products;
- evaluating the impact on solvency when determining strategies, business plans, investment decisions, and dividend distribution;
- conducting periodic solvency projections and dynamic solvency testing and monitoring changes and trends; and
- establishing warning mechanisms and contingency plans to ensure capital adequacy.

Competition

The Group's businesses operate in highly fragmented and competitive markets, and face increasing competition for capital, labour, location, facilities and supporting infrastructure, services, pricing and raw materials, as well as acquisition opportunities and new business opportunities. Certain of the Group's competitors in their respective businesses may have longer operating track records, stronger government and customer relationships, greater parent support and access to financial, technical, infrastructure, marketing and other capabilities, or other resources and/or name recognition than the Group.

In respect of the Group's asset management business, the Group competes primarily with fund management companies, banks, insurance companies and other financial institutions in Hong Kong and in the region in terms of the range of products and services offered, pricing and quality of customer service. In respect of the Group's investment activities, the Group competes primarily with securities firms that are qualified to conduct direct investment business and private equity firms in Hong Kong and in the region. In respect of the Group's insurance business, the Group competes primarily with both domestic and foreign-invested general insurance companies. Some of the Group's competitors may have greater financial, management and other resources than the Group does, and may have more extensive operating experience than the Group. Furthermore, these competitors may be able to offer a broader range of products and services, as well as establish their reserves more adequately, than the Group.

To maintain and enhance its competitiveness, the Group aims to further strengthen and develop long-term, stable and co-operative business opportunities, focus on improving its product mix and operational efficiencies, develop innovative process technologies, enhance its marketing techniques, further reduce its production costs and, ultimately, become a competitive diversified enterprise with a leading presence in each of its core businesses.

Insurance

The Group maintains insurance which covers losses caused by fire, flood, riot, strike and malicious damage. The Group believes that its properties are covered by adequate insurance provided by reputable independent insurance companies in the relevant jurisdictions, and with commercially reasonable deductibles and limits on coverage which are normal for the type and location of the assets and properties which they relate.

Employees

As at 31 December 2020, the Group had approximately 130 full-time employees.

The Group adheres to, and complies with, the relevant labour laws of Hong Kong and other jurisdictions in which it operates. Staff benefits include salaries, provident fund contributions, insurance and medical care. The Group believes that its employees are critical to its success, and it is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. In order to motivate employees, employee salaries are tied to business and individual performance. To date, the Group has not experienced any labour strikes or other material labour disputes that affected its operations.

Legal Proceedings

The Group is from time to time involved in certain legal proceedings concerning matters arising in the ordinary course of its business. Except as disclosed in this Offering Circular, the Group is not involved in any litigation or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Circular, a material adverse effect on its financial position, nor is the Group aware that any such proceedings are pending or threatened. Please see "*Risk Factors — Risks relating to the Group's Overall Business — Agent, employee and distribution partner misconduct is difficult to detect and deter and could harm the Group's reputation or lead to regulatory sanctions or litigation against it.*" and "*Risk Factors — Risks relating to the Group's Insurance Business — Agent and employee misconduct is difficult to detect and deter and could harm the reputation of the Group or lead to regulatory sanctions or litigation costs*."

MANAGEMENT

The members of the Issuer's board of directors as at the date of this Offering Circular are as follows:

Name	Title
Mr. TUNG Hoi	Chairman and Chief Executive Officer
Mr. CHAN Tak Yin	Chief Investment Officer of Ping An Group
Mr. CHEN Ning	General Manager of Ping An Group Treasury Department
Mr. JIN Ziwen	Senior Human Resources Manager of the Ping An Group Human Resources Centre
Ms. ZHU Xiaoliang	Deputy General Manager of the Ping An Group Legal and Compliance Department

The biographies of the Issuer's directors and senior management as at the date of this Offering Circular are as follows:

(a) Directors

Mr. TUNG Hoi, is the Chairman and Chief Executive Officer of the Issuer since 2016. He was the Co-Chief Investment Officer of the Investment Committee of the Ping An Group from 2014 to 2016 and also the former Chairman and Chief Executive Officer of Ping An Trust from 2004 to 2014. Before joining the Ping An Group, he was an executive director at Goldman Sachs and a management consultant at McKinsey & Company. He holds a Master's degree in Engineering Science with first-class honours from Oriel College, University of Oxford and an MBA from INSEAD.

Mr. CHAN Tak Yin, is the Chief Investment Officer of Ping An Insurance (Group) Company of China. Since he joined Ping An Group in 2005, he served as Vice Chief Investment Officer of Ping An Insurance (Group) Company, Chairman and CEO of Ping An Asset Management Company Limited, Chairman of Ping An of China Asset Management (Hong Kong) Company Limited. Prior to the current positions, the companies he served including BNP Paribas Asset Management Asia Ltd., BZW Investment Management (ASIA) Ltd (wholly owned subsidiary of Barclays Bank), Sun Hung Kai Investment Management (HK) Company and Scimitar Asset Management (wholly owned subsidiary of Standard Chartered Bank), as Chief Investment Officer, Investment Director and Senior Fund Manager and Fund Manager respectively. Mr. Chan holds a Bachelor Degree of Arts from University of Hong Kong.

Mr. CHEN Ning, is the General Manager of the Ping An Group Treasury Department. Before joining the Ping An Group, he has over 20 years of working experience in the financial sector and the professional consulting industry. Mr. Chen is an expert in treasury management and asset liability management. Prior to the current position, he has worked in Bank of China Limited, Bank of China (Hong Kong) Limited and Deloitte, and was formerly the head of the Asset Liability Management and Capital Management Department of Bank of China (Hong Kong) Limited. During his time working in Bank of China Limited and Bank of China (Hong Kong) Limited, Mr. Chen has accumulated rich practical experience in areas such as treasury management, asset and liability management, structural risk management, bank investment and financing. During his time in Deloitte, Mr. Chen was a senior director and was responsible for coordinating the financial industry risk advisory services. Under Mr. Chen's direct leadership, the global systemically important banks risks and capital management advisory services and the financial institutions asset and liability management advisory services of Deloitte China have acquired a leading position in the industry.

Mr. JIN Ziwen, is and has been the Senior Director of Smart HR Sharing Service Center of the Ping An Group since February 2016. He joined the Ping An Group in January 2014 and was previously the Project Manager of the Human Resources Centre. Before joining the Ping An Group, Mr. Jin worked in consulting firms including Mercer and Towers Watson & Co.. Mr. Jin holds a bachelor's degree from Zhejiang University.

Ms. ZHU Xiaoliang, is the Deputy General Manager of the Ping An Group Legal and Compliance Department. She has over 14 years of experience in legal and compliance. Prior to joining Ping An Group in 2020, she was head of the legal department at Anbang Insurance Group Company Limited, partner of Fangda Partners, a director and general manager at Fusion Capital and head of the risk management at Beijing Jinghua Jinmeng Investment Management Company Limited (北京菁華金夢投資管理有限公司).

Senior Management

See "— *Directors*" for working experiences and positions of Mr. Tung Hoi, Mr. Chan Tak Yin, Mr. Chen Ning, Mr. Jin Ziwen and Ms. Zhu Xiaoliang.

Mr. Woody CHAN, is the Deputy General Manager and Treasurer of the Group. He has over 30 years of experience in financial markets and was formerly the head of the Asset, Liability & Capital Management Department (Asia Pacific Region) of The Hongkong Shanghai and Banking Corporation Limited. He has also served on the Hong Kong Securities and Futures Commission's leveraged foreign exchange trading arbitration committee. He is a currently a Fellow of the Treasury Markets Association in Hong Kong. He holds a Master's degree from Macquarie University in Australia and is a CFA and FRM charter holder.

Mr. CHAI Chi Kit, is the Capital Markets Chief Investment Officer of the Group and the Head of Capital Markets division. He has over 20 years of experience in capital markets investment and was one of the top executives of the Teacher Retirement System of Texas, the 7th largest pension fund in the United States, managing a U.S.$23 billion global equity fund. He graduated from the University of Texas with a Master's degree in economics and a doctorate degree and is a CFA charter holder.

Mr. KUI Kaipin, is the Assistant General Manager, Head of Private Equity. Prior to joining Ping An Insurance Overseas (Holdings) Limited, Mr. Kui was a research assistant in the Chairman's Office of Ping An Group for 4 years. In that capacity, he was involved in strategy development and investment analysis for the Group's new businesses such as Lufax and Good Doctor. Mr. Kui led the efforts to create Ping An Japan Investment Co. Ltd. in 2015. He holds a master's degree and a bachelor's degree from Waseda University.

Mr. Dennis CHAN, is the Head, Managing Director of Infrastructure of the Group. He has over 20 years of experience in equity investment in infrastructure and real estate in the PRC and abroad. He has completed M&A transactions in more than 15 different countries. He is the former Executive of Hutchison Port Holdings Limited, Babcock & Brown and the Links Real Estate Investment Trust. He received his PhD in economics from Princeton University.

Ms. Amy LI, is the Head, Managing Director of Real Estate Investment of the Group. Ms. Li has more than 15 years of experience in both in-bound and out-bound investment of real estate assets and companies. She was formerly an investment director of Warburg Pincus, executive director of the Group's real estate team, investment manager of Gingko Tree Investment Europe's real estate investments and investment manager of Credit Suisse's investment banking department. She was also a board member of ARA Asset Management, Princeton Digital Group and StorHub Self Storage during her tenure at Warburg Pincus. Ms. Li received her M.Phil. in real estate finance from the University of Cambridge.

Mr. Bruce PAN, is the Head, Managing Director of Private Credit Investment of the Group. He has over 20 years of experience in investment management in the PRC and abroad. He was formerly the Head of the Capital Markets division of Ping An Trust and an investment manager of S.A.C. Capital Advisors, specialising in market investments and strategies. He graduated from Columbia University with Master's degrees in finance and operations research.

Ms. Carol WONG, is the Head, Managing Director of International Institutions and Marketing and Investor Services of the Group. She has over 20 years of experience in the investment management industry. Ms. Wong started her career at HSBC and then joined Jardine Fleming (now known as JPMorgan) in Hong Kong. Ms. Wong then joined ABN AMRO Asset Management (now known as BNP Paribas Asset Management) as Head of Investment Fund Services in 1998 where she was responsible for developing business strategies including distribution, marketing, product and client servicing for Asia. She was subsequently appointed the Head of Distribution of Mainland China, Hong Kong and South East Asia in 2011. From 2013 to 2018, she was Old Mutual's managing director, Head of Asia Business. She also sat on the board of directors of Old Mutual Global Investors (Asia Pacific) Limited (now known as Jupiter Asset Management). Ms. Wong was a member of the Executive Committee of the Hong Kong Investment Funds Association from 2009 to 2013.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect 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 Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes. It is emphasised that none of the Issuer nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Hong Kong

Withholding Tax

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

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

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

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation, carrying on a trade, profession or business in Hong Kong;

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

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

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

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax.

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

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

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes **provided that** either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes **provided that** either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

At present, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. With the enactment of the Revenue (Stamp Duty) Ordinance 2021, the relevant rate of stamp duty payable by each of the seller and the purchaser will increase from 0.1 per cent. to 0.13 per cent. (for a total stamp duty payable of 0.26 per cent.) with effect on 1 August 2021. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Arranger and Dealer has, in a dealer agreement dated 28 July 2021, as amended and/or supplemented from time to time (the "**Dealer Agreement**"), agreed and each further Dealer appointed under the Programme will agree with the Issuer a basis on which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, the Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger and Dealer for certain of its expenses incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme. The Issuer may agree to pay, through the Dealers, a commission to certain private banks on certain tranches of Notes based on the principal amount of Notes purchased by the clients of such private banks. Any such commissions will be described in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

The Dealers and certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

United States of America

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered and sold any Notes, and will offer and sell any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Issuing and Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Issuing and Paying Agent has agreed to notify such Dealer/lead manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by "Regulation S."

Terms used in the above provision have the meanings given to them by Regulation S.

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

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has represented, warranted and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and in respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

In addition in respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement (terms used below have the meanings given to them by the U.S. Internal Revenue Code 1986 and regulations thereunder, including the D Rules.):

(a) except to the extent permitted under U.S. Treas. Reg. Section 1.1 63-5(c)(2)(i)(D) (the "**D Rules**"), each Dealer has (i) represented, warranted and agreed that it has not offered or sold, and warranted and agreed that during the 40-day restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) represented that it has not delivered and warranted and agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(b) each Dealer has represented, warranted and agreed that it has and warranted and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, each Dealer has represented, warranted and agreed that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section I.163-5(c)(2)(i)(D)(6); and

(d) with respect to each affiliate of such Dealer that acquires Notes in bearer form from such Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in paragraphs 1.3(a), 1.3(b) and 1.3(c) on such affiliate's behalf.

In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance.

Further, each Dealer has represented, warranted and agreed in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder, including U.S. Reg §1 1.163-5(c)(2)(i)(C).

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of Sales to EEA Retail Investors:

Unless the relevant Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(i) 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; or

(c) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(ii) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of Sales to UK Retail Investors:

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For these purposes:

(i) a "**retail investor**" means a person who is one (or more) of:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(c) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(ii) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Under the Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State, except that it may make an offer of Notes to the public in that Relevant State:

(i) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of an offering circular in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, **provided that** any such offering circular has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such offering circular or Pricing Supplement, as applicable and the Relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Relevant Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (ii) to (iv) above shall require the Relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

Public Offer Selling Restriction Under the UK Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

(i) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, **provided that** any such prospectus has subsequently been completed by Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) shall require the Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes and the expression "**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions in the UK

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 FIEA and other relevant laws and regulations of Japan.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC as part of the initial distribution of the Notes.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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

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

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

(1) 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;

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

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

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

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

Taiwan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Notes acquired by it as part of the offering in Taiwan or to, or for the account or benefit of, any resident of Taiwan, unless otherwise permitted by the laws and regulations of Taiwan.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular and any applicable Pricing Supplement and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Trustee or any of the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. **Listing of Notes:** Approval in-principle has been received from the SGX-ST for the establishment of the Programme and application will be made for the listing and quotation of any Notes which are agreed at the time of issue thereof to be so listed on the Official List of the SGX-ST. There is no assurance that an application for the listing of the Notes on the Official List of the SGX-ST will be approved. The approval in-principle for the listing and quotation of any Notes to be issued pursuant to the Programme from, and admission of the Notes to the Official List of, the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Programme, the Notes, the Issuer, or the Issuer's subsidiaries. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein. The Legal Entity Identifier of the Issuer is 25490058XRCE9DZAMJ79.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the issue of the Notes thereunder. The establishment and update of the Programme was authorised by resolutions of the board of directors of the Issuer dated 28 July 2021.

3. **No Material Adverse Change:** Other than as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer or the Group since 31 December 2020.

4. **Litigation:** None of the Issuer or any of its subsidiaries is involved in any litigation or arbitration proceedings that the Issuer believes are, during the 12 months prior to the date of this Offering Circular, material in the context of the Notes, nor is the Issuer aware that any such proceedings are pending or threatened.

5. **Bearer Notes, Receipts, Coupons and Talons: Each Bearer Note, Receipt, Coupon and Talon will bear the following legend:** "Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

6. **Clearing of the Notes:** The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg and the CMU. The appropriate ISIN and common code or CMU Instrument Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. If the Notes are to be cleared through any additional or alternative Clearing System, the appropriate information will be specified in the applicable Pricing Supplement.

7. **Available Documents:** For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available (upon written request and proof of holding and identity satisfactory to the Trustee), during usual business hours (9.00a.m. to 3.00p.m.) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong:

   (i) the Trust Deed (which includes the form of the Global Notes, the Notes in definitive form, the Coupons, the Receipts and the Talons);

   (ii) the Agency Agreement;

(iii) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of such series of Notes and identity); and

(iv) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

8. **Financial Statements:** The Issuer's audited consolidated financial statements as of, and for, the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the auditor of the Issuer for the year ended 31 December 2020. An extract of the Issuer's audited consolidated financial statements as of, and for, the year ended 31 December 2020 is included elsewhere in this Offering Circular.

INDEX TO FINANCIAL INFORMATION

The Issuer's consolidated financial information set out herein are extracts of the Issuer's audited consolidated financial statements for the year ended 31 December 2020.

Page

THE ISSUER'S CONSOLIDATED FINANCIAL INFORMATION[1]

EXTRACT OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Note:

(1) The consolidated financial information of the Issuer set forth herein have been extracted from the Issuer's audited consolidated financial statements for the year ended 31 December 2020 and page references are references to pages set forth in such audited consolidated financial statements. The Issuer's audited consolidated financial statements were not prepared for the purpose of inclusion in this Offering Circular.

INDEPENDENT AUDITOR'S REPORT
TO THE SOLE MEMBER OF CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Ping An Insurance Overseas (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 8 to 103, which comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

INDEPENDENT AUDITOR'S REPORT
TO THE SOLE MEMBER OF CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED (CONTINUED)
(incorporated in Hong Kong with limited liability)

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Report of the Directors and statement of comprehensive income (unaudited) of the Company set out on pages 104 to 105, 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 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.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2021

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
中国平安保险海外(控股)有限公司
(incorporated in Hong Kong with limited liability)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Investment income	4(a)	7,933,179,463	1,417,834,971
Interest income	4(b)	1,381,662,061	1,101,462,846
Net earned insurance premiums	5(a)	280,163,228	259,007,237
Fees and commission income	5(b)	320,450,406	244,624,882
Net impairment losses of financial assets	4(c)	(1,346,240,614)	(567,862,688)
Net realised gains on investments measured at amortised cost		3,256,036	2,138,992
Exchange gain/(losses)		268,658,751	(135,016,796)
Other income		257,081,439	413,053,092
Total income		9,098,210,770	2,735,242,536
Gross insurance claims incurred	6	(414,685,423)	(428,555,193)
Reinsurer's share of gross insurance claims incurred	6	189,667,110	150,861,848
Commission expenses	7	(106,109,583)	(95,851,835)
General and administrative expenses	9	(354,746,082)	(286,878,508)
Depreciation and amortization	9	(121,615,673)	(91,750,366)
Staff costs	9	(512,209,376)	(508,548,709)
Finance costs	8	(1,190,933,284)	(1,387,709,497)
Profit before share of profit of associates		6,587,578,459	86,810,276
Share of profit of associates	18	3,601,823,433	4,071,048,458
Profit before tax		10,189,401,892	4,157,858,734
Income tax (expense)/recovery	11	(53,435,266)	16,951,408
Profit for the year		10,135,966,626	4,174,810,142

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
中国平安保险海外(控股)有限公司
(incorporated in Hong Kong with limited liability)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK$	2019 HK$
Other comprehensive income/(expense)		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Changes in fair value of financial assets at fair value through other comprehensive income	(1,788,538,566)	-
Share of other comprehensive income of associates	35,643,071	-
<u>Items that may be subsequently reclassified to profit or loss:</u>		
Change in fair value of financial assets at fair value through other comprehensive income		
- Change in unrealised (losses)/gains, including the impact of impairment	(44,977,083)	199,894,234
- Reclassified net realised losses at fair value through other comprehensive income to profit or loss	22,712,493	42,131,862
Currency translation differences		
- Exchange difference from foreign operations	838,186,855	(645,555,010)
Total other comprehensive expense for the year, net of tax	(936,973,230)	(403,528,914)
Total comprehensive income for the year	9,198,993,396	3,771,281,228
Total comprehensive income /(expense) attributable to:		
Owner of the Company	9,198,996,051	3,771,280,552
Non-controlling interests	(2,655)	676
	9,198,993,396	3,771,281,228

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
中国平安保险海外(控股)有限公司
(incorporated in Hong Kong with limited liability)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Assets			
Property and equipment	13	100,496,219	101,874,053
Right-of-use assets	12	74,361,404	132,169,235
Investment properties	14	15,870,000	15,750,000
Goodwill	15(b)	119,134,715	133,686,488
Intangible assets	15(a)	52,247,703	68,289,096
Investments accounted for using the equity method	18	25,416,596,707	18,036,444,754
Investments measured at amortised cost	26	8,528,145,570	5,371,430,337
Loans to associates, at cost	41(b)	-	653,780,400
Loans to fellow subsidiaries and a related company, at cost	41(b)	565,617,024	6,295,565,222
Loans to third parties, at cost	17	3,892,691,703	3,528,867,498
Financial assets at fair value through profit or loss	24	54,816,479,966	42,785,341,403
Financial assets at fair value through other comprehensive income	25	7,163,092,050	8,549,168,674
Derivative assets	27	2,351,445,440	843,577,654
Deferred acquisition costs	19	54,892,232	50,975,409
Reinsurance assets	20	514,099,692	453,945,889
Insurance receivables	21	157,341,656	120,104,782
Deferred tax assets		35,087,330	19,007,523
Taxation recoverable		6,202,424	36,093,038
Prepayments, deposits and other receivables	22	1,034,503,462	3,879,964,091
Amounts due from the ultimate holding company	23(a)	4,756,979	9,553,705
Amounts due from fellow subsidiaries	23(b)	224,355,247	264,978,466
Time deposits	28	172,280,382	219,313,527
Cash and cash equivalents	28	3,615,513,393	4,337,184,793
Total assets		108,915,211,298	95,907,066,037
Equity			
Share capital	36	7,085,000,000	7,085,000,000
Reserves		42,243,620,463	32,823,359,727
Non-controlling interests		113,383	116,038
Total equity		49,328,733,846	39,908,475,765

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
中国平安保险海外(控股)有限公司
(incorporated in Hong Kong with limited liability)

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

	Notes	2020 HK$	2019 HK$
Liabilities			
Bonds payable	35	21,266,083,385	17,435,949,264
Interest-bearing bank and other borrowings	32	27,188,188,838	31,315,306,796
Lease liabilities	12	80,928,534	134,441,393
Deferred tax liabilities		22,529,760	9,977,006
Insurance contract liabilities	29	1,118,676,227	995,466,391
Reinsurers' share of deferred acquisition costs	19	13,844,475	14,588,120
Insurance payables	30	94,982,084	70,825,554
Loan from a fellow subsidiary	41(b)	-	50,000,000
Tax payable		19,581,061	853,933
Derivative liabilities and other financial liabilities at fair value through profit or loss	27	8,707,534,679	4,597,581,971
Other payables and accruals	31	808,458,699	992,851,223
Premiums received in advance		122,439	145,925
Amounts due to the ultimate holding company	23(a)	25,688,302	38,633,705
Amounts due to fellow subsidiaries	23(b)	239,858,969	341,968,991
Total liabilities		59,586,477,452	55,998,590,272
Total liabilities and shareholders' equity		108,915,211,298	95,907,066,037

The notes on pages 16 to 103 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 8 to 103 were approved by the Board of Directors on 26 March 2021 and were signed on its behalf.

…………………………………	…………………………………
Tung Hoi	Chen Ning
Director	Director

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
中国平安保险海外(控股)有限公司
(incorporated in Hong Kong with limited liability)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to the owner of the Company								
	Share capital	General reserve	Exchange fluctuation reserve	Revaluation reserve	Other reserves (note a)	Share award scheme	Retained earnings	Non-controlling Interest	Total
	HK$ (note 36)	HK$	HK$	HK$	HK$	HK$ (note 42)	HK$	HK$	HK$
Balance at 1 January 2020	7,085,000,000	750,000	(1,016,855,787)	(2,417,026)	3,556,649,504	(39,148,034)	30,324,381,070	116,038	39,908,475,765
Profit for the year	-	-	-	-	-	-	10,135,969,281	(2,655)	10,135,966,626
Other comprehensive income for the year:									
- Exchange difference from foreign operations	-	-	838,186,855	-	-	-	-	-	838,186,855
Change in fair value of financial assets at fair value through other comprehensive income									
- Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(1,833,515,649)	-	-	-	-	(1,833,515,649)
- Reclassified net realised losses at fair value through other comprehensive income to profit or loss	-	-	-	22,712,493	-	-	-	-	22,712,493
Share of other comprehensive income of associates	-	-	-	35,643,071	-	-	-	-	35,643,071
Share of other reserves of associates	-	-	-	-	249,769,145	-	-	-	249,769,145
Subscription in share award scheme	-	-	-	-	-	(31,254,815)	-	-	(31,254,815)
Share award scheme	-	-	-		-	2,750,355	-	-	2,750,355
At 31 December 2020	7,085,000,000	750,000	(178,668,932)	(1,777,577,111)	3,806,418,649	(67,652,494)	40,460,350,351	113,383	49,328,733,846

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
中国平安保险海外(控股)有限公司
(incorporated in Hong Kong with limited liability)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to the owner of the Company								
	Share capital	General reserve	Exchange fluctuation reserve	Revaluation reserve	Other reserves (note a)	Share award scheme	Retained earnings	Non-controlling Interest	Total
	HK$ (note 36)	HK$	HK$	HK$	HK$	HK$ (note 42)	HK$	HK$	HK$
Balance at 1 January 2019	7,085,000,000	750,000	(371,300,777)	(244,443,122)	3,556,649,504	-	26,149,571,604	115,362	36,176,342,571
Profit for the year	-	-	-	-	-	-	4,174,809,466	676	4,174,810,142
Other comprehensive income for the year:									
- Exchange difference from foreign operations	-	-	(645,555,010)	-	-	-	-	-	(645,555,010)
Change in fair value of financial assets at fair value through other comprehensive income									
- Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	199,894,234	-	-	-	-	199,894,234
- Reclassified net realised losses at fair value through other comprehensive income to profit or loss	-	-	-	42,131,862	-	-	-		42,131,862
Subscription in share award scheme	-	-	-	-	-	(40,112,542)	-	-	(40,112,542)
Share award scheme	-	-	-	-	-	964,508	-	-	964,508
At 31 December 2019	7,085,000,000	750,000	(1,016,855,787)	(2,417,026)	3,556,649,504	(39,148,034)	30,324,381,070	116,038	39,908,475,765

Note a: Other reserves included the excess of carrying value of entities acquired over consideration using the principles of merger accounting by applying Accounting Guideline No. 5 *'Merger Accounting for Common Control Combinations'* in 2018 and 2015.

The notes on pages 16 to 103 are an integral part of these consolidated financial statements.

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
中国平安保险海外(控股)有限公司
(incorporated in Hong Kong with limited liability)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK$	2019 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profits before tax	10,189,401,892	4,157,858,734
Adjustments for:		
Depreciation of property and equipment	21,551,669	23,017,005
Depreciation of right of use assets	76,857,036	58,768,967
Gain on dilution of associates	(2,320,518,781)	(3,556,481)
Gain on disposal of an associate	-	(1,177,584,297)
Gain on bargain purchase of a subsidiary	-	(3,410,588)
Amortisation of intangible assets	23,206,968	9,964,394
Changes in fair value on investment properties	(120,000)	(200,000)
Interest income	(1,554,018,781)	(1,301,807,846)
Dividend income	(2,086,138,582)	(673,119,245)
Finance cost	1,130,973,738	1,387,709,497
Share of profit of associates	(3,601,823,433)	(4,071,048,458)
Net provision for impairment of financial assets	1,346,240,614	567,862,688
Provision for impairment of goodwill	14,551,773	-
Operating profit/(loss) before working capital changes	3,240,164,113	(1,025,545,630)
Increase in financial assets at fair value through profit or loss	(10,920,398,045)	(9,872,722,485)
Increase in financial liabilities measured at fair value	2,602,084,922	3,291,084,428
Increase in investments at amortised cost	(4,411,575,135)	(3,369,083,678)
(Increase)/decrease in financial assets at fair value through other comprehensive income	(445,124,762)	1,780,476,391
Decrease/(increase) in amounts due from group companies	45,419,945	(2,450,810,527)
Increase in insurance receivables	(37,236,874)	(42,480,016)
Increase in reinsurance assets	(60,153,803)	(44,974,800)
Increase in deferred acquisition cost	(4,660,468)	(4,139,205)
Decrease/(increase) in prepayments, deposits and other receivables	2,057,344,049	(43,169,379)
Increase in insurance contract liabilities	123,209,836	164,543,767
Increase in insurance payables	24,156,530	44,503,680
Increase/(decrease) in other payables and accruals	83,025,054	(551,650,320)
Decrease in premiums received in advance	(23,486)	(166,331)
Decrease in amounts due to group companies	(143,559,885)	(34,512,512)
Cash used in operations	(7,847,328,009)	(12,158,646,617)
Tax paid, net	(19,695,033)	(18,809,892)
Interest received	2,342,135,361	1,301,807,846
Dividends received	2,086,138,582	673,119,245
Net cash used in operating activities	(3,205,382,302)	(10,202,529,418)

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED
中国平安保险海外(控股)有限公司
(incorporated in Hong Kong with limited liability)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK$	2019 HK$
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other intangible assets	(18,911,269)	(20,344,976)
Purchase of property and equipment	(21,951,107)	(12,966,257)
Proceeds from disposal of property and equipment	1,777,272	33,180
Proceeds from in time deposits with original maturity over three months	47,033,145	106,420,719
Repayment of loans to fellow subsidiaries	6,115,173,015	4,621,395,287
Loan to third parties	(1,407,853,993)	(2,807,317,960)
Cash paid for investments in associates	(471,929,544)	(1,174,800,000)
Repayment of loans to associates	-	108,585,926
Cash used in the acquisition of subsidiaries, net	-	(106,961,755)
Net cash generated from investing activities	4,243,337,519	714,044,164
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	58,026,716,343	41,107,844,372
Repayment of bank loans	(62,028,941,107)	(30,616,992,021)
Proceeds from bonds payable	9,752,867,666	9,741,332,599
Repayment of bonds payable	(5,956,520,000)	(6,321,023,366)
Lease payments	(68,715,127)	(59,268,430)
Capital element on finance lease rental payments	-	(604,587)
Interest paid	(1,364,242,795)	(988,608,502)
Net cash (used in)/generated from financing activities	(1,638,835,020)	12,862,680,065
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(834,246,600)	3,374,194,811
Cash and cash equivalents at beginning of year	4,337,184,793	1,188,639,227
Effect of foreign exchange rate changes, net	112,575,200	(225,649,245)
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,615,513,393	4,337,184,793
Analysis of cash and cash equivalents:		
Cash and bank balances	3,615,513,393	4,216,628,158
Cash deposits with a securities broker	-	120,556,635
	3,615,513,393	4,337,184,793

The notes on pages 16 to 103 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

China Ping An Insurance Overseas (Holdings) Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is Suite 2318, 23rd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates (collectively, together with the Company, referred to as the "Group") comprise of underwriting general insurance business, including statutory insurance and acceptance of reinsurance; undertaking investment activities; provision of asset management and advisory services to related and unrelated companies, provision of internet finance business and finance leasing.

The Company is a subsidiary of Ping An Insurance (Group) Company of China, Ltd., a company listed in Hong Kong and incorporated in the People's Republic of China, which is considered by the directors as the Company's immediate and ultimate holding company.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in according with Hong Kong Financial Reporting Standards ("HKFRSs") and the requirement of Hong Kong Companies Ordinance Cap.622. They have been prepared on a historical cost basis, except for investment properties and certain financial assets and liabilities (including derivative instruments), which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("HKD") which is the Group's presentation currency and the Company's functional currency and all values are rounded to the nearest dollar except when otherwise indicated. They are prepared on a going concern basis.

The presentation of assets and liabilities on the consolidated balance sheet is in the ascending order based on their liquidity, where amount expected to be recovered/settled after more than 12 months for each asset and liability line item that combines these amounts with amounts to be recovered/settled not more than 12 months after the reporting date, the disclosure is made in the notes to the consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their reporting period commencing on 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform
Revised Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 Basis of preparation (Continued)

2.1 Changes in accounting policy and disclosures (Continued)

(b) *New and amended standards and improvements not yet adopted*

		Effective for annual periods beginning on or after
AG 5 (revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 Amendment	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 Amendment	Proceeds before Intended Use	1 January 2022
HKAS 37 Amendment	Onerous Contracts	1 January 2022
HKFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phrase 2	1 January 2022
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	to be determined by the International Accounting Standard Board
HKFRS 16 Amendment	Covid-19-related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts (Note)	1 January 2023
HKFRS 17 Amendment	Insurance Contracts (Note)	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Annual Improvement Projects	Annual Improvements to HKFRS 2018-2020 Cycle	1 January 2022

Certain new accounting standards and improvements have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of these new and amended standards and improvements. The Group is still assessing the impact of these new and amended standards and improvements, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

Note

HKFRS 17, 'Insurance Contracts'

HKFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It replaces HKFRS 4, which currently permits a wide variety of practices. HKFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract.

The new standard is mandatory for financial years commencing on or after 1 January 2023. At this stage, the Group does not intend to adopt the standard before its effective date. The Group is still assessing the impact of adoption of HKFRS 17.

2 Basis of preparation (Continued)

2.2 Basis of consolidation (Continued)

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020 and for the year then ended. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the owners of the parent of the Group and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified permitted by applicable HKFRSs.

However, when subsidiaries of the Group are disposed and transferred to its associate, the gain or loss resulting from such disposal shall be recognised only to the extent of the portion that has been disposed of to the other investors of the associate.

2.3 Summary of significant accounting policies

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(a) Subsidiaries (Continued)

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Impairment losses, and any subsequent reversal of previously recognised impairment losses, are included in the Company's result for the financial year.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's share of post-acquisition profit or loss is recognised in the consolidated profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated reserves with a corresponding adjustment to the carrying amount of the investment. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the investment and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in an associate equals or exceeds its interests in the associates (which includes any long-term interests that, in substance, form part of the Group's net investment), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(b) Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'Impairment charges on interest in associates' in the profit or loss in the consolidated statement of comprehensive income.

Gain or losses on dilution of equity interest in associates are recognised in the profit or loss.

(c) Business combinations

Business combinations are accounted for using the acquisition method, except for business combinations under common control, in which case merger accounting is applied. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Goodwill is further disclosed in note 2.3(h).

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(e) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or joint ventures by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(f) Property and equipment (Continued)

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost or valuation of each item of equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2%
Leasehold improvement	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Where parts of an item of property and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

The carrying amount of an item in property and equipment is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period by an external valuer.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met.

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(h) Intangible assets (Continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

These costs are amortised on the straight-line basis over their estimated useful lives of 1 to 10 years.

Club memberships and debentures

Club memberships and debentures are carried at cost less any impairment losses. Cost of club memberships and debentures is equivalent to the fair value of consideration to acquire the club memberships and debentures. The amortisation of these intangible assets is based on the expected useful lives of these assets.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 15 years.

(i) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(j) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(j) Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 14). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

(k) Investment and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(k) Investment and other financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in investment income. Interest income from these financial assets is calculated using the effective interest rate method. Foreign exchange gains and losses are presented in other income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within investment income in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in investment income in the profit or loss as applicable.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, deposits and other receivables, loans and amounts due from related companies, time deposits and cash and cash equivalents. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(l) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

(m) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(n) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKFRS 9 are classified as financial liabilities at fair value through profit or loss, other financial liabilities measured at amortised costs, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities measured at amortised cost, net of directly attributable transaction costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(n) Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Other financial liabilities measured at amortised cost

After initial recognition, other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost of other financial liabilities are calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Other financial liabilities measured at amortised cost are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derivative liabilities

Derivative liabilities are financial liabilities held for trading and are carried on the statement of balance sheet at fair value with positive change in fair value and negative change in fair value presented as investment income in profit or loss.

(o) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(p) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(q) Product classification - Insurance contracts

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly.

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group has regarded financial guarantee contracts as insurance contracts and, accordingly, has elected to apply HKFRS 4 to account for such contracts.

(r) Reinsurance assets

The Group assumes and/or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities.

Premiums and claims on reinsurance assumed are recognised as revenue or expense in the same manner as they would be if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of balance sheet and are not included in reinsurance assets or liabilities. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. These contracts are accounted for by using the effective interest rate method.

All reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Gains or losses on buying reinsurance are deferred and recognised in profit or loss over the life of the reinsurance contract.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(s) Benefits and claims

General insurance claims incurred include all claim losses occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claim handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

(t) Deferred acquisition costs

Commissions which are directly related to the production of premium, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Overheads and other indirect costs are not considered to be acquisition costs. Deferred acquisition cost ("DAC") is capitalised and amortised on a straight line basis over the life of the contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each reporting period.

DAC is derecognised when the related contracts expire or are disposed of.

(u) Insurance contract liabilities

Insurance contract liabilities include provisions for unearned premiums and for outstanding claims for general insurance contracts and financial guarantee contracts. The measurement of these liabilities is subject to inherent uncertainties. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, the ultimate cost of which cannot be known with certainty at the reporting date. Recognised liabilities are based on management's best estimate of the liability at the reporting date.

Provision for unearned premiums

The provision for unearned premiums represents premium received for risks that have not yet expired. The provision for unearned premiums is released over the term of the contract and is recognised as premium income in profit or loss.

The methods used for determining unearned premiums are as follows:

Goods in transit	25% of net written premiums
Other insurance businesses	1/24 method

In a similar manner, the expense of reinsurance contracts ceded by the Group is deferred as an asset and is brought to account over the pattern of reinsurance service received.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(u) Insurance contract liabilities (Continued)

Provision for outstanding claims

Full provision is made for the estimated gross cost of claims notified but not settled on a case-by-case basis, including claims incurred but not reported at the statement of balance sheet date, using the best information available at that time including inflation where necessary. Provision for direct and indirect claim settlement expenses is included in the outstanding claims provision. Reduction is made for the expected value of salvage and other recoveries (other than reinsurance) where this can be reliably measured. Any differences between the original claims provision and subsequent settlements or reassessments are included in profit or loss. Provision is also made for any claims incurred but not reported ("IBNR") at the statement of balance sheet date, based on statistical factors reflecting trends in settlement, augmented by management experience. Claims are not discounted.

In a similar manner, where amounts are recoverable under reinsurance contracts in respect of liabilities recognised as outstanding claims, those amounts are recognised as an asset.

(v) Liability adequacy test

At each financial year end, the Group reviews its unexpired risk and a liability adequacy test is performed, to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment return expected to arise on assets relating to the relevant provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is immediately recognised in profit or loss by setting up a provision for liability adequacy.

(w) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of balance sheet, cash and cash equivalents comprise cash on hand and at banks and other financial institutions, including term deposits, which are not restricted as to use.

(x) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(y) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(z) Interest income

Interest income from financial assets at FVPL is calculated using coupon rate and included in investment income, see note 4(a) below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the impairment loss allowance).

(aa) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI) (2019 from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI)). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

(ab) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(ab) Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill;
- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(ac) Revenue recognition

The Group's main revenue is recognised on the following bases:

(i) premiums, when the policy incepts and on an annual accounting basis;

(ii) commission on reinsurance contracts, at the time of completion of the cession premiums and over the period of reinsurance service on an accrual accounting basis;

(iii) fee and commission income is recognised when the services are rendered by reference to stages of completion of the specific transaction and assessed in the basis of actual services provided as a portion of the total service to be provided.

(ad) Employee benefits

Bonus plans

The Group operates a bonus plan by which it makes its employees eligible for receiving discretionary bonuses based on the performance of the Group and the respective employee. The expected costs of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Pension scheme

The Group operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Group and the employees are required to contribute a fixed percentage of the employees' relevant income up to a maximum sum per employee per month. The Group's contributions to the MPF Scheme are expensed as incurred.

The Group also operates a defined contribution retirement benefits scheme under the Occupational Retirement Scheme Ordinance for those employees who are eligible and have elected to participate in the scheme. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(ad) Employee benefits (Continued)

Pension scheme (Continued)

Employees of Group's subsidiaries that operate in Mainland China are covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

Hong Kong Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Company in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

(ae) Share-based payments

The Group participates in an equity-settled, share-based compensation scheme ("Long-term Service Plan") set up by its ultimate holding company, under which the Group receives services from certain employees as consideration for equities of the ultimate holding company as set out in note 42.

The amount paid to the scheme is presented as "Subscription in share award scheme" and deducted from total equity. Subscription in the share award scheme is credited when services are received during the vesting period and debited as general and administrative expenses.

The awardees are entitled to the equities of the ultimate holding company upon meeting all vesting conditions.

Where the employee's entitlement to the share award scheme is forfeited due to a service condition not met, the expense is reversed to reflect the best available estimate of the amount of share award scheme expected to vest.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(af) Foreign currencies

These financial statements are presented in Hong Kong dollars, which are the Group's presentation currency and the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those in respect of monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the reporting date, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the reporting date, and their statement of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and associates which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 Basis of preparation (Continued)

2.3 Summary of significant accounting policies (Continued)

(ag) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Group considers all of their investments in funds ("Investee Funds") under the Group's management or advisory to be investments in unconsolidated structured entities. The Group invests in Investee Funds whose objective is to achieve long term capital growth. The Investee Funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Group holds redeemable units in each of their Investee Funds.

The change in fair value of each Investee Funds is included in the consolidated statement of comprehensive income of the Group in "Investment Income".

(ah) Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation. The directors consider that such reclassifications will allow a more appropriate presentation of the Group's state of affairs and better reflect the nature of the transactions.

3 Significant accounting judgement and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the consolidated financial statements:

Measurement of the expected credit loss ("ECL") allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 44.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL

Valuation of unlisted equities, debts, funds, convertible promissory note and derivatives in level 3

The Group has significant unlisted equities, debts, funds, convertible promissory note and derivatives with the net amount of HK$22,541,434,429 (2019: HK$26,876,276,327). The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

When using valuation techniques to determine the fair value of financial instruments, the Group would choose the input value in consistent with market participants, considering the transactions of related assets and liabilities. All related observable market parameters are considered in priority, including interest rate, foreign exchange rate, commodity prices and share prices or index. When related observable parameters are unavailable or inaccessible, the Group uses unobservable parameters and makes estimates for credit risk, market volatility and liquidity adjustments.

The fair value of convertible promissory notes are determined using binomial model and discounted cash flow method. Valuation technique requires the Group to make significant judgement in estimating future cash flows, to choose a suitable discount rate in order to calculate the present value of those cash flows, spot price, and estimating volatility of future market price of the underlying share.

Using different valuation techniques and parameter assumptions may lead to significant difference of fair value estimation. Valuation techniques are disclosed in note 43.

3 Significant accounting judgement and estimates (Continued)

Claims liability arising from insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the amounts that the Company will ultimately pay for those claims. Estimates are made as to the expected number of claims for each of the years in which the Company is exposed due to the specific event or transaction cover, of which terms and conditions are directly stipulated in the contracts. Previous experience and trends are fundamental in determining the liabilities. As at 31 December 2020, the insurance contract liabilities is HK$1,118,676,227 (2019: HK$995,466,391) and the insurance payables is HK$94,982,084 (2019: HK$70,825,554).

Estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at that date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policy, IBNR claims form the majority of the claims liability in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by class of business and by accident year, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that represents management's best estimate from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

Similar judgements and estimates are made in determining whether amounts set aside as unearned premium are adequate to meet the estimated future liability in respect of the insurance contracts concerned.

The carrying value at the end of the reporting period of non-life claims liability arising from insurance contract liabilities is HK$864,155,642 (2019: HK$765,492,616), gross of reinsurance.

4(a) Investment income

	2020 HK$	2019 HK$
Dividends received from:		
Financial assets at fair value through profit or loss	2,086,138,582	673,119,245
Other interest income/(expense) from:		
Derivatives, net (Note a)	(59,959,546)	70,390,415
Debt securities measured at fair value through profit or loss	114,217,408	71,228,462
Convertible promissory note	58,139,312	58,726,124
	112,397,174	200,345,001
Rental income	23,213,839	34,275,516
Fair value gains on investment properties	120,000	200,000
Net realised losses on financial assets at fair value through other comprehensive income	(22,712,493)	(37,114,420)
Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss	3,350,736,801	(828,159,365)
Gain on dilution of associates (Note 18)	2,320,518,781	3,556,481
Gain on disposal of an associate	-	1,177,584,298
Net realised and unrealised gains on derivatives	62,766,779	89,057,825
Other	-	104,970,390
	7,933,179,463	1,417,834,971

Note a

	2020	2019
Derivative interest income	157,187,793	282,323,040
Derivative interest expense	(217,147,339)	(211,932,625)
	(59,959,546)	70,390,415

4(b) Interest income

	2020 HK$	2019 HK$
Interest income from:		
Bank deposits	150,649,388	27,516,747
Loans to third parties	306,221,130	184,815,453
Loans to fellow subsidiaries and associates	129,045,395	496,567,700
Debt securities measured at amortised cost	530,611,518	156,994,054
Debt securities measured at fair value through other comprehensive income	265,134,630	235,568,892
	1,381,662,061	1,101,462,846

4(c) Impairment losses of financial assets

	2020 HK$	2019 HK$
Reversal of impairment of financial assets at fair value through other comprehensive income, net	2,314,262	9,493,151
Charge for impairment on investments measured at amortised cost, net	(85,969,505)	(104,647,489)
Charge for impairment on loans and others, net	(1,262,585,371)	(472,708,350)
	(1,346,240,614)	(567,862,688)

5 Revenue

(a) Net earned premiums on insurance contracts

	2020 HK$	2019 HK$
Gross earned premiums on insurance contracts		
Insurance contracts premium written	498,134,182	449,992,451
Gross change in unearned premium provision	(24,546,810)	(39,181,717)
Gross earned premiums	473,587,372	410,810,734
Reinsurers' share of gross earned premiums on insurance contracts		
Reinsurers' share of premium written	205,096,506	173,391,186
Reinsurers' share of change in unearned premium provision	(11,672,362)	(21,587,689)
Reinsurers' share of gross earned premiums	193,424,144	151,803,497
Premiums earned, net of reinsurance		
Total premium written, net	293,037,676	276,601,265
Total change in unearned premium provision, net	(12,874,448)	(17,594,028)
Total net earned premiums	280,163,228	259,007,237

5 Revenues (Continued)

(b) Fees and commission income

	2020 HK$	2019 HK$
Management fee income	320,450,406	244,624,882

6 Net insurance benefits and claims incurred

	Note	2020 HK$	2019 HK$
Gross insurance claims paid	29 (a)	316,022,397	303,193,143
Gross change in insurance contracts liabilities		98,663,026	125,362,050
Gross insurance contracts claims incurred	29 (a)	414,685,423	428,555,193
Reinsurers' share of gross claims paid	29 (a)	(141,185,669)	(127,474,737)
Reinsurers' share of gross change in insurance contracts liabilities		(48,481,441)	(23,387,111)
Reinsurers' share of gross insurance claims incurred	29 (a)	(189,667,110)	(150,861,848)
Net insurance benefits and claims		225,018,313	277,693,345

7 Commission expenses

	2020 HK$	2019 HK$
Commission expense from:		
- General insurance business	106,109,583	95,851,835

8 Finance costs

	2020 HK$	2019 HK$
Interest on bank loans and other borrowings	509,272,598	715,747,574
Interest on bonds payable	677,657,806	666,691,757
Interest on lease liabilities (note 12)	4,002,880	5,270,166
	1,190,933,284	1,387,709,497

9 General and administrative expenses, depreciation and amortization and staff cost

	2020 HK$	2019 HK$
Management fee expense	1,314,695	3,933,869
Office rental and rates	4,511,186	3,449,987
Office water and electricity	1,525,587	1,029,081
Entertainment	5,561,820	8,971,838
Postage and telephone	2,117,240	1,435,868
Office supplies	982,273	725,825
Legal and consultancy fee	203,136,021	118,661,450
Audit fee	2,660,652	3,083,521
Others	132,936,608	145,587,069
Total general and administrative expenses	354,746,082	286,878,508
Depreciation and amortization		
Depreciation (note 13)	21,551,669	23,017,005
Depreciation of right-of-use assets (note 12)	76,857,036	58,768,967
Amortisation of intangible asset (note 15(a))	23,206,968	9,964,394
Total depreciation and amortization	121,615,673	91,750,366
Staff costs		
Staff medical insurance	14,714,445	11,611,366
Salaries	483,680,938	482,233,132
Share based payment (note 42(a))	2,750,355	964,508
Staff welfare	4,976,699	5,499,204
Pension	6,086,939	8,240,499
Total staff costs	512,209,376	508,548,709

10 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G)

	2020 HK$	2019 HK$
Salaries	8,122,032	8,122,032
Bonus	6,776,217	6,776,217
Retirement benefit	18,000	18,000
Unlisted share based payments	2,232,691	2,232,691
	17,148,940	17,148,940

There are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate and connected entities (2019: None).

The directors of the Company also receives emoluments from its ultimate holding company. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's parent company. In addition, the directors' services to the Group only occupy an insignificant amount of their time as compared to their service to the ultimate holding company.

Certain directors are entitled to share based payments set up by Ping An Insurance (Group) Company of China, Ltd. Details of share based payments are set out in note 42.

Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11 Income tax

For the years ended 31 December 2020 and 2019, the provision for Hong Kong profits tax has been calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a qualifying corporation of the Group will be taxed at 8.25%, and assessable profits above HK$2 million of the qualifying corporation will be taxed at 16.5%. The assessable profits of the other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020 HK$	2019 HK$
Current tax expense:		
Current charge for the year	68,312,774	1,897,011
Deferred tax	(14,877,508)	(18,848,419)
Total tax expense/(recovery) for the year	53,435,266	(16,951,408)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2020			
	Hong Kong HK$	Mainland China HK$	Others HK$	Total HK$
Profit before tax	1,416,688,565	1,310,585,793	7,462,127,534	10,189,401,892
Applicable tax rate	16.5%	25%	0-23.2%	
Tax at the statutory tax rate	233,753,613	327,646,448	-	561,400,061
Income not subject to tax	(343,048,219)	(320,059,780)	-	(663,107,999)
Expense not deductible for tax	154,101,767	28,147	-	154,129,914
Utilization of tax loss	-	(7,614,815)	-	(7,614,815)
Tax loss for which no deferred income tax assets was recognised	11,225,747	-	-	11,225,747
Others	(8,335,392)	336,136	5,401,614	(2,597,642)
Income tax expense	47,697,516	336,136	5,401,614	53,435,266

11 Income tax (Continued)

	2019			
	Hong Kong HK$	Mainland China HK$	Others HK$	Total HK$
Profit before tax	1,393,015,404	1,247,445,314	1,517,398,016	4,157,858,734
Applicable tax rate	16.5%	25%	0-23.2%	
Tax at the statutory tax rate	229,847,542	311,861,329	-	541,708,871
Income not subject to tax	(604,393,034)	(308,775,273)	-	(913,168,307)
Expense not deductible for tax	353,108,303	-	-	353,108,303
Over provision in prior year	530,192	-	-	530,192
Utilization of tax loss	-	(3,077,106)	-	(3,077,106)
Tax loss for which no deferred income tax assets was recognised	29,317,082	-	-	29,317,082
Others	(26,728,312)	-	1,357,869	(25,370,443)
Income tax expense/(recovery)	(18,318,227)	8,950	1,357,869	(16,951,408)

12 Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2020 HK$	2019 HK$
Right-of-use assets		
Buildings	74,361,404	132,169,235
Lease liabilities		
Current	69,734,969	65,791,047
Non-current	11,193,565	68,650,346
	80,928,534	134,441,393

12 Leases (Continued)

(i) Amounts recognised in the consolidated balance sheet (Continued)

Additions to the right-of-use assets during the 2020 financial year were HK$10,804,010 (2019: HK$28,753,832).

(ii) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	Notes	2020 HK$	2019 HK$
Depreciation charge of right-of-use assets			
Buildings	9	76,857,036	58,768,967
Interest expense (included in finance costs)	8	4,002,880	5,270,166

The cash outflow for leases in 2020 includes operating lease activities of HK$4,511,186 (2019:HK$3,449,987) and financing activities of HK$68,715,127 (2019:HK$59,268,430).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 3 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension options

Extension options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

13 Property and equipment

	2020				
	Leasehold land and buildings HK$	Leasehold improvement HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
At 31 December 2019 and 1 January 2020					
Cost	69,618,945	62,099,946	37,767,595	2,457,760	171,944,246
Accumulated depreciation	(14,299,320)	(29,897,998)	(23,441,093)	(2,431,782)	(70,070,193)
Net carrying amount	55,319,625	32,201,948	14,326,502	25,978	101,874,053
At 1 January 2020, net of accumulated depreciation	55,319,625	32,201,948	14,326,502	25,978	101,874,053
Additions	11,152,742	8,130,457	2,667,908	-	21,951,107
Disposals	(1,777,272)	-	-	-	(1,777,272)
Depreciation provided during the year (note 9)	(4,481,794)	(11,988,726)	(5,055,171)	(25,978)	(21,551,669)
At 31 December 2020, net of accumulated depreciation	60,213,301	28,343,679	11,939,239	-	100,496,219
At 31 December 2020					
Cost	73,811,687	70,230,403	40,435,503	2,457,760	186,935,353
Accumulated depreciation	(13,598,386)	(41,886,724)	(28,496,264)	(2,457,760)	(86,439,134)
Net carrying amount	60,213,301	28,343,679	11,939,239	-	100,496,219

13 Property and equipment (Continued)

	2019				
	Leasehold land and buildings HK$	Leasehold improvement HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
At 31 December 2018 and 1 January 2019					
Cost	31,120,000	51,127,716	29,631,527	2,457,760	114,337,003
Accumulated depreciation	(6,768,828)	(19,357,447)	(18,835,683)	(2,091,230)	(47,053,188)
Net carrying amount	24,351,172	31,770,269	10,795,844	366,530	67,283,815
At 1 January 2019, net of accumulated depreciation	24,351,172	31,770,269	10,795,844	366,530	67,283,815
Additions	-	10,972,230	1,994,027	-	12,966,257
Transfer through acquisition of subsidiaries	38,498,945	-	6,175,221	-	44,674,166
Disposals	-	-	(33,180)	-	(33,180)
Depreciation provided during the year (note 9)	(7,530,492)	(10,540,551)	(4,605,410)	(340,552)	(23,017,005)
At 31 December 2019, net of accumulated depreciation	55,319,625	32,201,948	14,326,502	25,978	101,874,053
At 31 December 2019					
Cost	69,618,945	62,099,946	37,767,595	2,457,760	171,944,246
Accumulated depreciation	(14,299,320)	(29,897,998)	(23,441,093)	(2,431,782)	(70,070,193)
Net carrying amount	55,319,625	32,201,948	14,326,502	25,978	101,874,053

As of 31 December 2020 and 2019, the Group's leasehold land and buildings are situated in Hong Kong and Japan.

14 Investment properties

	2020 HK$	2019 HK$
Carrying amount at 1 January	15,750,000	15,550,000
Net revaluation gain	120,000	200,000
Carrying amount at 31 December	15,870,000	15,750,000

As of 31 December 2020 and 2019, the Group's investment properties are situated in Hong Kong.

All investment properties are classified as level 3 investments. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

14 Investment properties (Continued)

The Group's investment properties were revalued by an external valuer on 31 December 2020 and 2019, at HK$15,870,000 (2019: HK$15,750,000) using a combination of direct comparison method and by reference to comparable market transactions and on a vacant possession basis. The investment properties are leased to third parties under operating leases.

Amounts recognised in profit or loss for investment properties:

	2020 HK$	2019 HK$
Rental income	213,600	333,600

As at 31 December 2020, the Group has no unprovided contractual obligations for future repairs and maintenance (2019: nil).

15 Intangible assets and goodwill

(a) Intangible assets

	HK$
At 1 January 2019	40,167,767
Additions	20,344,976
Transferred in through acquisition of subsidiaries	17,740,747
Amortisation provided during the year	(9,964,394)
At 31 December 2019 and 1 January 2020	68,289,096
Additions	7,165,575
Amortisation provided during the year	(23,206,968)
At 31 December 2020	52,247,703

The intangible assets comprised of operating rights, club memberships and debentures, patents, trademarks and licences, computer software purchased from related group companies and external vendors by the Group.

15 Intangible assets and goodwill (Continued)

(b) Goodwill

	HK$
At 1 January 2019, 31 December 2019 and 1 January 2020	133,686,488
Impairment of goodwill	(14,551,773)
At 31 December 2020	119,134,715

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination which primarily arises from acquisition of Tenshindo Co., Ltd, a subsidiary of the Group. Impairment testing is performed annually on goodwill allocated to the CGUs identified by comparing their recoverable amount to their carrying amount as at the end of the reporting period.

The recoverable amount of a CGU is determined based on higher of value in use and fair value less costs of disposal calculation. These calculations use cash flow projections based on financial budget covering a five-year period. The cash flow projections over the five-year period are based on financial forecasts using an estimated average revenue growth rate of 5.3% (2019: 9.8%) and average operating margin of 5.0% (2019: 16.8%). Cash flows beyond the five-year period are extrapolated in perpetuity using a stable growth rate of 5.3% (2019: 9.8%). The discount rate used is approximately 15.24% (post-tax) (2019: 15.61%) and reflects market assessments of the time value and the specific risks relating to the industry. Assuming average revenue growth rate decreased by 50 basis points or discount rate increased by 50 basis points respectively, impairment charge of HK$2,060,306 and HK$4,193,531 would be required for the goodwill at 31 December 2020 respectively.

16 Principal subsidiaries

Particulars of the Group's major subsidiaries are as follows:

Name	Place of incorporation	Nominal value of issued share capital	Percentage of equity attributable to the Company				Principal activities/ status
			2020		2019		
			Direct	Indirect	Direct	Indirect	
China Ping An Insurance (Hong Kong) Company Limited	Hong Kong	HK$490,000,000	100	-	100	-	General insurance
Ping An of China Asset Management (Hong Kong) Company Limited	Hong Kong	HK$345,000,000	100	-	100	-	Asset management
Wealthy Always International Limited	British Virgin Islands	US$1	100	-	100	-	Project investment
Shine Kind Investments Limited	British Virgin Islands	US$1	100	-	100	-	Project investment
Value Success International Limited	British Virgin Islands	US$1	100	-	100	-	Bond issuance
Shiny Bright Investments Limited	British Virgin Islands	US$1	100	-	100	-	Project investment
Dynamic Ventures International Limited	British Virgin Islands	US$1	100	-	100	-	Project investment
Vigorous Champion International Limited	British Virgin Islands	US$1	100	-	100	-	Bond issuance
Vital Mission International Limited	British Virgin Islands	US$6,100,000	100	-	100	-	Project investment
Vivid Mission International Limited	British Virgin Islands	US$1	100	-	100	-	Project investment
Leading Capital Company Limited	Cayman Islands	US$1	100	-	100	-	Project investment
China Equity Platform Holding Group Limited	British Virgin Islands	US$1,265,660	-	100	-	100	Investment holding
ChinaE.com Technology (Shenzhen) Co., Ltd	PRC	RMB 1,000,000	-	100	-	100	Project investment
Shanghai Huliu Investment Management Limited	PRC	US$ 20,000,000	100	-	100	-	Asset management

16 Principal subsidiaries (Continued)

Name	Place of Incorporation	Nominal value of issued share capital	Percentage of equity attributable to the Company				Principal activities/status
			2020		2019		
			Direct	Indirect	Direct	Indirect	
Shanghai Shen Ye Investment Management	PRC	RMB 60,000,000	0.01	99.99	0.01	99.99	Asset management
eLink Commerce Company Limited	Hong Kong	RMB 100,000 HK$ 25,000,000	99.5	-	99.5	-	Licensed storage value facility
Hong Jian Company Limited	Hong Kong	HK$ 1,000,000	100	-	100	-	Money lender
Glamour Company Limited	Hong Kong	HK$ 1	100	-	100	-	Corporate treasury centre
Sun Ye Company Limited	Hong Kong	JPY 14,463,600,000	-	100	-	100	Securities investment
Ping An Overseas Investment Management Company Limited (Formerly named as C.I Investment Management Co Ltd)	Cayman	US$ 1	100	-	100	-	Asset management
Overseas W.H. Investment Co Ltd	Cayman	US$4,643,959,358	100	-	100	-	Investment holding
CoInv Propel Co Ltd	Cayman	US$ 75,000,000	-	100	-	100	Project investment
D.I. Alpha Media Co Ltd	Cayman	US$ 52,500,000	-	100	-	100	Project investment
PAT AM Co Ltd	Cayman	US$ 131,592,832	-	100	-	100	Project investment
Quince Co Ltd	Cayman	US$ 91,181,239	-	100	-	100	Project investment
Secondary Co-Investment Co Ltd	Cayman	US$ 16,845,205	-	100	-	100	Project investment
BSP Cassia Co Ltd	Cayman	US$ 169,627,152	-	100	-	100	Project investment

16 Principal subsidiaries (Continued)

Name	Place of Incorporation	Nominal value of issued share capital	Percentage of equity attributable to the Company				Principal activities/status
			2020		2019		
			Direct	Indirect	Direct	Indirect	
Hosta Co Ltd	Cayman	US$ 94,123,520	-	100	-	100	Project investment
Lunaria Co Ltd	Cayman	US$ 72,400,000	-	100	-	100	Project investment
BSRE Investment Co Ltd	Cayman	US$ 51,006,164	-	100	-	100	Project investment
10x Voyger Investment Co Ltd	Cayman	US$ 12,219,900	-	100	-	100	Project investment
VGH Investment Co Ltd	Cayman	US$ 96,400,000	-	100	-	100	Project investment
Khakera Co Ltd	Cayman	US$ 82,994,164	-	100	-	100	Project investment
Diamon Co Ltd	Cayman	US$ 88,095,866	-	100	-	100	Project investment
Startup Health Voyager Investment Co Ltd	Cayman	US$ 2,066,116	-	100	-	100	Project investment
VGR Investment Co Ltd	Cayman	US$ 409,200,000	-	100	-	100	Project investment
Yun Sheng Capital Cayman	Cayman	US$ 1	-	100	-	100	Asset investment
PE Fund Frontier Company Limited	Cayman	US$97,887,132	-	100	-	100	Project investment
Evelyn Media Limited	Cayman	US$100,000,002	-	100	-	100	Project investment
FD T4 Investment Co Ltd	Cayman	US$91,536,945	-	100	-	100	Project investment
AIF IX Co Ltd	Cayman	US$35,693,677	-	100	-	100	Project investment
D.I. Exchange Company Limited	Cayman	US$49,324,490	-	100	-	100	Project investment
PA Chokmah Investment Limited	Cayman	US$60,657,806	-	100	-	100	Project investment

16 Principal subsidiaries (Continued)

Name	Place of Incorporation	Nominal value of issued share capital	Percentage of equity attributable to the Company 2020 Direct	Indirect	2019 Direct	Indirect	Principal activities/status
TEQ 8 Investment Company Limited	Cayman	US$72,050,269	-	100	-	100	Project investment
Karnel Investment Co Ltd	Cayman	US$48,863,425	-	100	-	100	Project investment
PA WTL Co Ltd	Cayman	US$100,000,000	-	100	-	100	Project investment
PA Goldilocks Limited	Cayman	US$150,000,000	-	100	-	100	Project investment
PA Overseas Education Limited	Cayman	US$100,000,000	-	100	-	100	Project investment
Global Shinwaseiyaku Co., Ltd.	Japan	JPY50,000,000	-	100	-	100	Pharmaceutical
Tenshindo Co., Ltd.	Japan	JPY169,600,000	-	100	-	100	Pharmaceutical

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

17 Loans to third parties

	2020 HK$	2019 HK$
Loans to third parties	4,005,009,413	3,640,203,753
Less: Provision for impairment	(112,317,710)	(111,336,255)
	3,892,691,703	3,528,867,498

The loan to a third party of HK$390 million (2019: HK$449 million) is secured by the shares of the borrower and its subsidiary, and has maturity date on 14 November 2021. The remaining balances are unsecured and have maturity dates in 2021, 2023 and 2025 (2019: 2020, 2021 and 2025).

As at 31 December 2019, the Group held a loan to third party, Chong Mao Investment Limited, amounting HK$2,106,144,409. Effective from 31 December 2020 and as at 31 December 2020, the Group converted the loan to Chong Mao Investment Limited to convertible promissory notes amounting to HK$1,169,086,449 at initial fair value issued by Zhen Mao Investment Limited, the immediately holding company of Chong Mao Investment Limited. Please refer to note 33.

As at 31 December 2020, there are no loans to third parties that are past due (2019: nil).

18 Investments accounted for using the equity method

The Group's investments in associates are as follows:

Name of entity	31 December 2020 HK$000	31 December 2019 HK$000
Ping An International Financial Leasing Co., Ltd. (Note 2)	9,775,750	8,518,379
Lufax Holding Ltd	13,178,730	7,379,609
Others	2,462,117	2,138,457
	25,416,597	18,036,445

Particulars of the Group's principal associates are as follows:

Name of entity	Place of incorporation	Nominal value of issued share capital	Percentage of ownership 2020	2019	Principal activities
Lufax Holding Ltd	Cayman Islands	US$12,311	15.43% (Note 1)	16.92%	Investment Holding
Ping An International Financial Leasing Co., Ltd.	PRC	RMB14,237,991,266	29.22%	29.22% (Note 2)	Financial leasing

Note 1:
Lufax Holding Ltd issued new shares during the year ended 31 December 2020. This has resulted in a dilution of percentage of ownership of the Group by 1.49% from 16.92% to 15.43%. The gain on dilution of Lufax Holding Ltd of HK$2,340,391,469 was recognised as investment income in the consolidated statement of comprehensive income. Lufax Holding Ltd has been listed on the New York Stock Exchange since 30 October 2020. As at 31 December 2020, the Group holds Lufax Holding Ltd at a market value of approximately HK$20,904,708,000 (2019: nil).

Note 2:
The Group and the Group's ultimate holding company has each injected RMB1 billion in Ping An International Financing Leasing Co, Ltd in March 2019 and June 2019, respectively. This has resulted in an increase of percentage of ownership of the Group by 2.64% to 29.22% as at 31 December 2019.

18 Investments accounted for using the equity method (Continued)

The Group's investments in the principal associates as at 31 December 2020 and 2019 are as follows:

2020 Name of entity	As at 1 January HK$000	Additional investment HK$000	Increase/ (Decrease) in current year HK$000	As at 31 December HK$000
Ping An International Financial Leasing Co., Ltd.	8,518,379	-	1,257,371	9,775,750
Lufax Holding Ltd	7,379,609	-	5,799,121	13,178,730
Others	2,138,457	471,930	(148,270)	2,462,117

2019 Name of entity	As at 1 January HK$000	Additional investment HK$000	Increase/ (Decrease) in current year HK$000	As at 31 December HK$000
Ping An International Financial Leasing Co., Ltd.	6,111,838	1,174,800	1,231,741	8,518,379
Lufax Holding Ltd	5,121,788	-	2,257,821	7,379,609
Others	2,659,811	-	(521,354)	2,138,457

18 Investments accounted for using the equity method (Continued)

The summarised financial information of Group's principal associates as at year end is as follows:

	Lufax Holding Ltd		Ping An International Financial Leasing Co. Ltd		Others	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Summarised balance sheet						
Cash and cash equivalent	56,066,912	31,755,973	17,616,731	11,585,504	1,453,825	615,248
Other assets	239,653,642	135,410,439	312,644,434	272,421,454	9,590,387	8,916,017
Total assets	295,720,554	167,166,412	330,261,165	284,006,958	11,044,212	9,531,265
Total liabilities	(196,923,776)	(113,439,590)	(281,413,299)	(242,042,211)	(6,660,977)	(6,427,020)
Net assets	98,796,778	53,726,822	48,847,866	41,964,747	4,383,235	3,104,245
Summarised statement of comprehensive income						
Revenue	58,561,248	56,028,731	21,568,787	22,313,181	707,336	265,948
Operating expenses	(37,977,304)	(34,207,433)	(19,236,574)	(15,522,513)	(701,046)	(289,185)
	20,583,944	21,821,298	2,332,213	6,790,668	6,290	(23,237)
Other operating income/(expenses)	(432,376)	158,788	3,739,921	1,558	-	-
Profit from continuing operations	20,151,568	21,980,086	6,072,134	6,792,226	6,290	(23,237)
Taxation	(6,338,484)	(6,923,675)	(1,744,305)	(1,756,579)	-	-
Post-tax profit from continuing operations	13,813,084	15,056,411	4,327,829	5,035,647	6,290	(23,237)
Other comprehensive income/(loss)	691,598	(200,615)	247,430	-	7,722	(822)
Total comprehensive income/(loss)	14,504,682	14,855,796	4,575,259	5,035,647	14,012	(24,059)

18 Investments accounted for using the equity method (Continued)

The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates other than Lufax Holding Ltd and Ping An Financial Leasing Co., disclosed above:

	Carrying amount HK$'000	Profits or losses for the year HK$'000	Other comprehensive income /(loss) HK$'000
2020	2,462,117	321,132	2,528
2019	2,138,457	(519,881)	(1,473)

There are no significant contingent liabilities relating to the Group's interest in associates as at 31 December 2020 and 2019.

19 Deferred acquisition costs

	2020			2019		
	Gross HK$	Reinsurers' share HK$	Net HK$	Gross HK$	Reinsurers' share HK$	Net HK$
At 1 January	50,975,409	(14,588,120)	36,387,289	44,210,623	(11,962,539)	32,248,084
Amount (expensed)/ earned	(106,109,583)	33,460,048	(72,649,535)	(95,851,835)	33,878,363	(61,973,472)
Amount charged/ (credited)	110,026,406	(32,716,403)	77,310,003	102,616,621	(36,503,944)	66,112,677
At 31 December	54,892,232	(13,844,475)	41,047,757	50,975,409	(14,588,120)	36,387,289

The portion of the gross deferred acquisition costs which will be amortised within 12 months amounts to HK$54,857,589 (2019: HK$50,950,214). The portion of the reinsurers' share of deferred acquisition costs which will be amortised within 12 months amounts to HK$13,790,971 (2019: HK$14,551,794).

20 Reinsurance assets

The Group's reinsurance assets mainly represent the reinsurers' share of outstanding claims and unearned premiums.

	Note	2020 HK$	2019 HK$
Reinsurers' share of reported claim provision	29	327,357,087	305,904,915
Reinsurers' share of provision for claims incurred but not reported	29	98,918,167	71,888,898
Reinsurers' share of unearned premiums	29	87,824,438	76,152,076
		514,099,692	453,945,889

The portion of the provision for reinsurers' share of unearned premiums which will be amortised within 12 months amounts to HK$87,585,171 (2019: HK$75,952,391).

21 Insurance receivables

	Note	2020 HK$	2019 HK$
Amounts due in respect of:			
Premium receivables from direct underwriting and reinsurance inward	(a)	77,141,866	49,362,244
Due from reinsurance companies in respect of claims paid and other balances	(a)	80,199,790	70,742,538
		157,341,656	120,104,782

(a) Premium receivables and amounts due from reinsurers related to general insurance business

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise its risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables related to a large number of diversified customers, and in the directors' opinion, there is no significant concentration of credit risk to individual customers.

The carrying amounts of amounts recoverable in respect of paid claims approximate their fair values. These amounts are expected to be collected within 12 months.

Included in amount due from reinsurance companies in respect of claims paid and other balances is HK$19,205,792 (2019: HK$17,169,199) impairment loss allowance.

22 Prepayments, deposits and other receivables

	2020 HK$	2019 HK$
Interest receivables	264,992,590	1,226,075,692
Prepayment	22,322,890	98,170,800
Deposits	398,308,765	2,496,626,146
Others	348,879,217	232,057,975
	1,034,503,462	4,052,930,613
Less: impairment loss allowance	-	(172,966,522)
	1,034,503,462	3,879,964,091

23 Outstanding balances with related parties

(a) Due from/to the ultimate holding company

The Group's balances with the ultimate holding company are unsecured, interest-free, and are recoverable/payable on demand. The carrying amounts of balances with the ultimate holding company approximate their fair value.

(b) Due from/to fellow subsidiaries

The Group's balances with other companies within the Group held by the ultimate holding company are unsecured, interest-free, and are receivable/repayable on demand. The carrying amounts of balances with other companies within the Group held by the ultimate holding company approximate their fair value.

24 Financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss ("FVPL"):

- debt investments that do not qualify for measurement at either amortised cost (see note 26) or FVOCI (note 25)
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

24 Financial assets at fair value through profit or loss (Continued)

Financial assets measured at FVPL include the following:

	2020 HK$	2019 HK$
Listed equity investments	2,158,417,621	1,409,477,043
Unlisted equity investments	5,671,186,116	3,284,436,690
Listed fund investments	402,917,105	354,450,369
Unlisted fund investments	27,514,783,852	21,665,002,255
Listed debt securities	1,100,776,573	745,293,390
Unlisted debt securities	2,562,762,088	1,911,101,700
Convertible promissory notes (note 33)	15,405,636,611	13,415,579,956
	54,816,479,966	42,785,341,403

25 Financial assets at fair value through other comprehensive income

(i) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income ("FVOCI") comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

Non-current assets

Listed security

	2020 HK$	2019 HK$
Company A	158,530,445	77,831,000

Unlisted securities

	2020 HK$	2019 HK$
Company B	717,905,559	2,397,194,800
Company C	1,052,090,725	1,699,448,794
	1,769,996,284	4,096,643,594

25 Financial assets at fair value through other comprehensive income (Continued)

(iii) Debt investments at fair value through other comprehensive income

Debt investments at FVOCI comprise the following investments in listed and unlisted debt securities:

	2020 HK$	2019 HK$
Listed debt securities	5,234,565,321	4,356,828,215
Unlisted debt securities	-	17,865,865
	5,234,565,321	4,374,694,080

Included in the fair value of financial assets at fair value through other comprehensive income is HK$24,787,276 (2019: HK$27,255,151) impairment loss allowance as at 31 December 2020.

26 Investments measured at amortised cost

	2020 HK$	2019 HK$
Listed debt securities, at amortised cost	818,048,916	963,705,227
Unlisted debt securities, at amortised cost	7,908,186,081	4,520,424,480
Less: impairment loss allowance	(198,089,427)	(112,699,370)
	8,528,145,570	5,371,430,337

27 Derivative assets and liabilities and other financial liabilities at fair value through profit or loss

	Net Notional amount HK$	Fair value of derivative assets HK$	Fair value of derivative liabilities HK$
As at 31 December 2020			
Forward currency contracts, interest rate swap and currency swap	26,395,944,173	137,745,770	397,555,552
Total return swap	13,246,389,912	1,330,580,439	7,609,649,547
Option	2,387,646,800	883,119,231	-
Financial liabilities at FVPL	542,246,680	-	700,329,580
	42,572,227,565	2,351,445,440	8,707,534,679
As at 31 December 2019			
Forward currency contracts, interest rate swap and currency swap	145,384,158,603	688,663,841	636,036,712
Total return swap	20,891,044,873	154,913,813	3,159,433,159
Financial liabilities at FVPL	544,415,079	-	802,112,100
	166,819,618,555	843,577,654	4,597,581,971

The Group has entered into various forward currency contracts, interest rate swap contracts, currency swap contracts and total return swap contracts to manage its exchange rate, interest rate and market exposures respectively. The forward currency swap contracts, interest rate swap contracts and total return swaps contracts are not designated for the purpose of hedge accounting and are measured at fair value through profit or loss.

The Group held a put option issued by a fellow subsidiary with fair value amounting to HK$883,119,231 (2019: Nil) as at 31 December 2020.

28 Cash and cash equivalents and time deposits

	2020 HK$	2019 HK$
Cash and bank balances	3,615,513,393	4,216,628,158
Cash deposits with a securities broker	-	120,556,635
Time deposits	172,280,382	219,313,527
	3,787,793,775	4,556,498,320
Less:		
Time deposits with original maturity over three months when acquired	(172,280,382)	(219,313,527)
	3,615,513,393	4,337,184,793

The carrying amounts of the cash and cash equivalents, time deposits and the deposits with securities brokers approximate to their fair value. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirement of the Group, and earn interest at the respective short term time deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default.

29 Insurance contract liabilities

		2020			2019		
	Notes	Insurance contract liabilities HK$	Reinsurers' share of liabilities HK$	Net HK$	Insurance contract liabilities HK$	Reinsurers' share of liabilities HK$	Net HK$
Provision for claims reported by policyholders		498,153,509	(327,357,087)	170,796,422	455,812,497	(305,904,915)	149,907,582
Provision for claims incurred but not reported (IBNR)		366,002,133	(98,918,167)	267,083,966	309,680,119	(71,888,898)	237,791,221
Total claims reported and IBNR	(a)	864,155,642	(426,275,254)	437,880,388	765,492,616	(377,793,813)	387,698,803
Provision for unearned premiums	(b)	254,520,585	(87,824,438)	166,696,147	229,973,775	(76,152,076)	153,821,699
Total general insurance contract liabilities		1,118,676,227	(514,099,692)	604,576,535	995,466,391	(453,945,889)	541,520,502

(a) The provision for insurance claims reported by policy holders and IBNR is analysed as follows:

		2020			2019		
	Note	Insurance contract liabilities HK$	Reinsurers' share of liabilities HK$	Net HK$	Insurance contract liabilities HK$	Reinsurers' share of liabilities HK$	Net HK$
At 1 January		765,492,616	(377,793,813)	387,698,803	640,130,566	(354,406,702)	285,723,864
Claims incurred in the current year	6	414,685,423	(189,667,110)	225,018,313	428,555,193	(150,861,848)	277,693,345
Claims recovered/ (paid) during the year	6	(316,022,397)	141,185,669	(174,836,728)	(303,193,143)	127,474,737	(175,718,406)
At 31 December		864,155,642	(426,275,254)	437,880,388	765,492,616	(377,793,813)	387,698,803

(b) The provision for unearned premiums on insurance contracts is analysed as follows:

		2020			2019		
	Note	Insurance contract liabilities HK$	Reinsurers' share of liabilities HK$	Net HK$	Insurance contract liabilities HK$	Reinsurers' share of liabilities HK$	Net HK$
At 1 January		229,973,775	(76,152,076)	153,821,699	190,792,058	(54,564,387)	136,227,671
Premium written in the current year	5(a)	498,134,182	(205,096,506)	293,037,676	449,992,451	(173,391,186)	276,601,265
Premium earned during the year	5(a)	(473,587,372)	193,424,144	(280,163,228)	(410,810,734)	151,803,497	(259,007,237)
At 31 December		254,520,585	(87,824,438)	166,696,147	229,973,775	(76,152,076)	153,821,699

30 Insurance payables

	2020 HK$	2019 HK$
Amounts payable in respect of:		
Reinsurance premiums ceded	94,982,084	70,825,554

The carrying amounts of the Group's insurance payables approximate their fair values.

31 Other payables and accruals

	2020 HK$	2019 HK$
Interest payable	233,366,797	279,238,231
Expense accruals	39,138,501	33,373,787
Other payables	535,953,401	680,239,205
	808,458,699	992,851,223

32 Interest-bearing bank and other borrowings

	2020		2019	
Original currency	Effective interest rate	HK$	Effective interest rate	HK$
Current				
USD	0.180% - 2.850%	27,162,588,995	1.890% - 3.147%	30,160,125,747
RMB	N/A	-	4.1%	1,116,000,000
JPY	N/A	-	0.58% - 2.0%	3,246,863
		27,162,588,995		31,279,372,610
Non-current				
JPY	0.980% - 1.80%	25,599,843	0.4% - 2.85%	35,934,186
		27,188,188,838		31,315,306,796

	2020 HK$	2019 HK$
Analysed into:		
Within one year	27,162,588,995	31,279,372,610
Two to five years	25,599,843	35,934,186
	27,188,188,838	31,315,306,796

The carrying amount of the balance together with the interest accrual disclosed approximates to its fair value at the reporting date.

33 Convertible promissory notes

	2020 HK$	2019 HK$
Convertible promissory notes measured at fair value through profit or loss, issued by		
- Lufax Holding Ltd	14,236,550,162	13,415,579,956
- Zhen Mao Investment Limited	1,169,086,449	-
	15,405,636,611	13,415,579,956

The convertible promissory note issued by Lufax Holding Ltd has a principal amount of US$1,015,976,000 (equivalent to HK$7,875,947,550), carries an interest rate of 0.7375% p.a., has a maturity date of 11 January 2024, and is convertible to fully paid Class A ordinary shares of Lufax at any time between the date on of which shares of Lufax are listed on an internationally recognised stock exchange and the maturity date at an initial conversion price of the higher of par value or US$14.8869 per share, subjected to anti-dilution adjustments. In applying the equity accounting where the conversion option of the convertible promissory note was treated as an equity instrument by Lufax, upon initial recognition of the convertible promissory note, the Group's share of the equity component of the convertible promissory note was eliminated against the initial fair value of the conversion option of the convertible promissory note which amounted to HK$1,210.6 million. There was no such elimination subsequently, i.e. the full fair value change in the conversion option of the convertible promissory note would be recognised in profit or loss.

As at 31 December 2019, the Group held a loan to third party, Chong Mao Investment Limited, amounting to HK$2,106,144,409. Effective from 31 December 2020 and as at 31 December 2020, the Group exchanged the loan to convertible promissory notes with an initial fair value of HK$1,169,086,449 issued by Zhen Mao Investment Limited, the immediately holding company of Chong Mao Investment Limited. The convertible promissory note has a principal amount of US$336,865,258, carries an interest rate of 5% p.a., has a maturity date of 30 June 2021, and is convertible to 100% of the issued and outstanding shares of Chong Mao Investment Limited.

The convertible promissory notes are measured in its entirety at fair value through profit or loss.

34 Assets pledged as collateral

The Group pledges assets for its bank borrowings. Pledges are generally conducted under terms that are and customary for standard collateralised borrowing contracts.

	2020 HK$	2019 HK$
<u>Carrying value of the Group's assets pledged as collateral</u>		
Financial assets at fair value through other comprehensive income		
- Listed debt securities, at fair value	5,443,040,345	4,166,885,395
Financial assets at fair value through profit or loss		
- Listed debt securities, at fair value	1,100,776,572	745,293,390
Financial assets at amortised cost		
- Listed debt securities, at fair value	498,993,776	719,357,345
- Unlisted debt securities, at fair value	1,550,420,000	1,556,620,000
	8,593,230,693	7,188,156,130

35 Bonds payable

On 28 September 2016, the Group issued a HKD bond with an aggregate principal amount of HK$1,550,000,000. The bonds are redeemable at its issue price on 28 September 2021. The bonds carry interest at a rate of 3.00% per annum, which is payable quarterly in arrears on 28 March, 28 June, 28 September and 28 December.

On 30 September 2016, the Group issued two United States dollar ("USD") bonds with an aggregate principal amount of USD300,000,000. The bonds are redeemable at their issue price on 30 September 2021. The bonds carry interest at a rate of 3.20% per annum, which is payable half-yearly in arrears on 30 March and 30 September.

On 10 September 2018, the Group issued a USD bond with an aggregate principal amount of USD500,000,000. The bonds are redeemable at their principal amount on 10 September 2023. The bond carries interest at a rate of 4.375% per annum, which is payable half-yearly in arrears on 10 March and 10 September.

On 28 March 2019, the Group issued a HKD bond with an aggregate principal amount of HKD3,500,000,000. The bond carries interest at a rate of 2.650% per annum and is redeemable at their principal amount on 26 March 2020. Interest is payable in arrears on redemption date. The bond has been redeemed in full during the year ended 31 December 2020.

On 28 May 2019, the Group issued two USD bonds with an aggregate principal amount of USD600,000,000. The amount of USD300,000,000 bond carried interest at a rate of 3.625% per annum and was redeemed at its issue price on 28 May 2024. The amount of USD300,000,000 bond carries interest at a rate of 4.25% per annum and is redeemable at its issue price on 28 May 2029. Interest is payable half-yearly in arrears on 28 November and 28 May.

On 13 December 2019, the Group issued a USD bond with an aggregate principal amount of USD200,000,000. The bond carries interest at a rate of 2.5% per annum and is redeemable at its issue price on 11 December 2020. Interest is payable in arrears on redemption date. The bond has been redeemed in full during the year ended 31 December 2020.

On 19 February 2020, the Group issued a Singapore dollar ("SGD") bond with an aggregate principal amount of SGD330,000,000. The bond carries interest at a rate of 2.25% per annum and is redeemable at its issue price on 17 February 2020. Interest is payable in arrears on redemption date. The bond has been redeemed in full during the year ended 31 December 2020.

On 2 June 2020, the Group issued a USD bond with an aggregate principal amount of USD600,000,000. The bond carries interest at a rate of 2.75% per annum and is redeemable at its issue price on 2 June 2025. Interest is payable half-yearly in arrears on 2 June and 2 December.

On 13 August 2020, the Group issued an European dollar ("EUR") bond with an aggregate principal amount of EUR100,000,000. The bond carries interest at a rate of 1.05% per annum and is redeemable at its issue price on 6 November 2020. Interest is payable in arrears on redemption date. The bond has been redeemed in full during the year ended 31 December 2020.

On 8 December 2020, the Group issued a RMB bond with an aggregate principal amount of RMB1,000,000,000. The bond carries interest at a rate of 3.3% per annum and is redeemable at its issue price on 7 December 2021. Interest is payable in arrears on redemption date.

35 Bonds payable (Continued)

On 8 December 2020, the Group issued a HKD bond with an aggregate principal amount of HKD 770,000,000. The bond carries interest at a rate of 1.1% per annum and is redeemable at its issue price on 7 December 2021. Interest is payable in arrears on redemption date.

On 28 December 2020, the Group issued a SGD bond with an aggregate principal amount of SGD 66,000,000. The bond carries interest at a rate of 0.85% per annum and is redeemable at its issue price on 23 December 2021. Interest is payable in arrears on redemption date.

36 Share capital

	Number of shares	Share capital HK$
Issued and fully paid:		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	70,850,000	7,085,000,000

37 Debt reconciliation

This section sets out an analysis and movements of liabilities from financing activities for the year.

	31 December 2019 HK$	Cash flow HK$	Non-cash changes: Acquisition/ Addition HK$	Non-cash changes: Interest accrual HK$	Non-cash changes: Foreign exchange movement HK$	31 December 2020 HK$
Interest bearing bank and other borrowings	31,315,306,796	(4,002,224,764)	-	-	(124,893,194)	27,188,188,838
Bonds payable	17,435,949,264	3,796,347,666	-	28,204,153	5,582,302	21,266,083,385
Loan from a fellow subsidiary	50,000,000	(50,000,000)	-	-	-	-
Lease liabilities	134,441,393	(68,715,127)	11,396,895	3,805,373	-	80,928,534
Interest payable	279,238,231	(1,364,242,795)	-	1,316,812,212	1,559,149	233,366,797
Liabilities from financing activities	49,214,935,684	(1,688,835,020)	11,396,895	1,348,821,738	(117,751,743)	48,768,567,554

37 Debt reconciliation (Continued)

	31 December 2018 HK$	Recognised on adoption of HKFRS 16 HK$	Cash flow HK$	Non-cash changes Acquisition/ Addition HK$	Interest accrual HK$	Foreign exchange movement HK$	31 December 2019 HK$
Interest bearing bank and other borrowings	21,047,562,582	-	10,490,852,351	33,535,470	-	(256,643,607)	31,315,306,796
Bonds payable	14,113,510,323	-	3,420,309,233	-	17,726,121	(115,596,413)	17,435,949,264
Loan from a fellow subsidiary	50,000,000	-	-	-	-	-	50,000,000
Finance lease liabilities	604,587	-	(604,587)	-	-	-	-
Lease Liabilities	-	159,685,825	(59,268,430)	28,753,832	5,270,166	-	134,441,393
Interest payable	347,040,583	-	(988,608,502)	-	922,474,311	(1,668,161)	279,238,231
Liabilities from financing activities	35,558,718,075	159,685,825	12,862,680,065	62,289,302	945,470,598	(373,908,181)	49,214,935,684

38 Insurance contract liabilities and reinsurance assets – terms and assumptions

(a) Insurance contracts - terms

The major classes of insurance written by the Group include property damage, motor vehicle, travel, and miscellaneous accident.

For insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the financial position date.

The provisions are refined on a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques such as the Incurred and Paid Claim Development methods. Claims provisions are separately analysed by class of business. In addition, larger claims are usually either separately assessed by loss adjustors or separately projected. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

38 Insurance contract liabilities and reinsurance assets – terms and assumptions (Continued)

(a) Insurance contracts – terms (Continued)

Assumptions

The principal assumption underlying the estimates is that the Group's past claims development experience can be used to project future claim development. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement and changes in foreign currency rates.

Sensitivities

The provision for insurance contract liabilities is sensitive to the above key assumptions. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the at the end of the reporting period.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from re-assessment of the ultimate liabilities are recognised in subsequent years' financial statements.

(b) Reinsurance - Terms, assumption and methods

The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on a quota share basis with retention limits varying by product line and territory. The Group also purchases reinsurance to protect it from single large claims and from aggregation of claims arising from a single event. The amount of the Group's retention under such arrangements is determined by the Group having regard to the Group's risk appetite and available capital. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of balance sheet as reinsurance assets.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements.

The Group is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any reinsurance contract.

39 Operating lease arrangements

The Group leases its investment properties as lessor under operating lease arrangements. The terms of the leases also require the tenants to pay security deposits.

At 31 December 2020 and 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2020 HK$	2019 HK$
Within one year	140,300	71,610
In the second to fifth years, inclusive	152,500	-
	292,800	71,610

40 Commitments

The Group had the following capital commitments at the reporting date:

	2020 HK$	2019 HK$
Contracted, but not provided for,		
Financial assets at fair value through profit and loss	16,173,261,002	19,655,787,606
Investments accounted for using the equity method (Note 1)	415,925,329	3,382,250,590
	16,589,186,331	23,038,038,196

Note 1:
As at 31 December 2020, the Group has committed a capital injection of RMB262 million, i.e. HK$312 million (2019: RMB360 million, i.e. HK$402 million) and USD13 million, i.e. HK$101 million (2019: USD383 million, i.e. HK$2,981 million) into Ping An International Financial Leasing Co., Ltd and other associates.

41 Related party transactions and balances

(a) Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The Group defines key management personnel as the Directors of the Company. The summary of compensation of key management personnel for the year is disclosed in note 10 to the consolidated financial statements.

In addition to those related party transactions disclosed in the notes to the financial statements, the Group had material transactions with its ultimate holding company, Ping An Insurance (Group) Company of China, Ltd., fellow subsidiaries, associates, and other related parties based on agreed terms.

	2020 HK$	2019 HK$
Accounting services fee paid to		
- fellow subsidiaries	(10,424,708)	(5,691,221)
- ultimate holding company	(4,696,965)	(2,761,310)
Asset management fee income from		
- fellow subsidiaries	119,918,273	159,451,640
- ultimate holding company	4,687,178	1,312,144
Commission paid to		
- fellow subsidiaries & associates entities	1,772,697	-
Gross premiums received from		
- fellow subsidiaries	26,194,471	18,296,534
Investment advisory fee income from		
- fellow subsidiaries	4,985,854	-
- associates	3,877,150	-
- ultimate holding company	29,337,405	31,855,367
Interest and cost of investments paid to		
- fellow subsidiaries	(1,824,492)	(2,555,714)
Interest income from		
- fellow subsidiaries	324,771,006	356,148,877
- associates	58,139,312	58,726,124
IT Service fee paid to		
- fellow subsidiaries	(12,882,167)	(10,850,752)
Operating lease income received from		
- fellow subsidiaries	2,102,485	6,794,632
- ultimate holding company	20,746,315	26,844,406
- associates	151,439	302,878
Professional service fee paid to		
- fellow subsidiaries	(5,907,221)	(12,156,317)

41 Related party transactions and balances (Continued)

(b) Related party balances

In addition to those related party balances disclosed in notes to the consolidated financial statements, the Group has the following balances with related parties:

	Notes	2020 HK$	2019 HK$
Loans to associates	(i)	-	653,780,400
Loans to fellow subsidiaries	(i)	108,729,457	6,513,755,816
Loan to a related company	(i)	457,173,843	-
		565,903,300	7,167,536,216
Less: provision for impairment	(ii)	(286,276)	(218,190,594)
		565,617,024	6,949,345,622
Analyse as:			
Current		457,173,843	6,840,463,423
Non-current		108,443,181	108,882,199
Loan from a fellow subsidiary		-	50,000,000
Analyse as:			
Current		-	50,000,000

Notes:

(i) These loans are unsecured and have an effective interest rate ranged from 4.54% to 8.35% (2019: 3.79% to 8.5%) and have a maturity date ranging from 2020 to 2024.

(ii) Movement of impairment provision is shown as below:

	2020 HK$	2019 HK$
As at 1 January	218,190,594	5,966,451
Charge for impairment on loans, net	200,024	213,457,216
Repayment	(222,240,461)	(71,928)
Exchange realignment	4,136,119	(1,161,145)
As at 31 December	286,276	218,190,594

42 Share-based payments

(a) Long-term Service Plan

	Subscription in share award scheme HK$	Share award scheme HK$	Total HK$
As at 1 January 2019	-	-	-
Subscription	40,112,542	-	40,112,542
Share-based compensation expenses	-	(964,508)	(964,508)
As at 31 December 2019	40,112,542	(964,508)	39,148,034
As at 1 January 2020	40,112,542	(964,508)	39,148,034
Subscription	31,254,815	-	31,254,815
Share-based compensation expenses	-	(2,750,355)	(2,750,355)
As at 31 December 2020	71,367,357	(3,714,863)	67,652,494

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were HK$2,750,355 (2019: HK$964,508).

43 Fair value hierarchy

Financial assets and liabilities measured at fair value as at 31 December 2020 and 2019:

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
31 December 2020				
Financial assets				
Financial assets at fair value through profit or loss				
- Equity investments	4,197,481,228	2,460,558,732	1,171,563,777	7,829,603,737
- Fund investments	402,917,113	3,034,926,758	24,479,857,086	27,917,700,957
- Debt investments	-	3,616,328,371	47,210,290	3,663,538,661
- Convertible promissory notes	-	14,236,550,162	1,169,086,449	15,405,636,611
Financial assets at fair value through other comprehensive income				
- Debt investments	-	5,234,565,321	-	5,234,565,321
- Equity investments	158,530,445	-	1,769,996,284	1,928,526,729
Derivative assets	-	137,745,770	2,213,699,670	2,351,445,440
	4,758,928,786	28,720,675,114	30,851,413,556	64,331,017,456
Financial liabilities				
Derivative liabilities and other financial liabilities at FVPL	-	(397,555,552)	(8,309,979,127)	(8,707,534,679)
31 December 2019				
Financial assets				
Financial assets at fair value through profit or loss				
- Equity investments	1,409,477,044	3,043,825,551	240,611,138	4,693,913,733
- Fund investments	354,450,370	4,837,853,462	16,827,148,792	22,019,452,624
- Debt investments	-	2,301,913,390	354,481,700	2,656,395,090
- Convertible promissory note	-	-	13,415,579,956	13,415,579,956
Financial assets at fair value through other comprehensive income				
- Debt investments	-	4,374,694,080	-	4,374,694,080
- Equity investments	77,831,000	4,096,643,594	-	4,174,474,594
Derivative assets	-	843,577,654	-	843,577,654
	1,841,758,414	19,498,507,731	30,837,821,586	52,178,087,731
Financial liabilities				
Derivative liabilities and other financial liabilities at FVPL	-	(636,036,712)	(3,961,545,259)	(4,597,581,971)

Fair value hierarchy of investment properties are disclosed in note 14.

43 Fair value hierarchy (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices used for financial assets held by the Group is the current bid price.

(b) Financial instruments in level 2

The fair value of financial instruments not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximises the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation technique used to value financial instruments include recent transaction price and quoted market prices from dealer or custodian.

(c) Financial instruments in level 3

If one or more of the significant input is not based on observable market data, the investment is included in level 3.

The movements in fair value measurements in Level 3 during the year are as follows:
Financial assets

	HK$
At 1 January 2019	24,463,502,633
Purchases	6,674,306,426
Disposals	(2,117,796,850)
Transfer from level 2	2,803,477,975
Exchange realignment	(50,516,994)
Loss recognised in profit or loss under investment income	(935,151,604)
At 31 December 2019 and 1 January 2020	30,837,821,586
Purchases	13,437,583,815
Disposals	(6,413,753,109)
Transfer to level 2	(13,415,579,956)
Transfer from level 2	5,378,776,606
Exchange realignment	197,830,139
Gain recognised in profit or loss or other comprehensive income	828,734,475
At 31 December 2020	30,851,413,556

	2020 HK$	2019 HK$
Total gain/(loss) for the year included in profit or loss for level 3 financial assets held at the end of the year	1,124,852,653	(300,699,195)
Financial liabilities		
At 1 January	3,961,545,259	-
Purchases	5,695,411,189	3,886,195,059
Disposals	(1,488,002,579)	-
Exchange realignment	(10,754,334)	(4,481,910)
Loss recognised in profit or loss under investment income	151,779,592	79,832,110
At 31 December	8,309,979,127	3,961,545,259
Total loss for the year included in profit or loss for level 3 financial liabilities held at the end of the year	134,788,905	79,832,110

43 Fair value hierarchy (Continued)

(c) Financial instruments in level 3 (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value at 31 December 2020 (HK$)	Valuation Technique	Unobservable inputs	Weighted average input	Reasonable possible shift	Change in valuation (HK$)
Financial assets						
Financial assets at fair value through profit or loss - Fund investments	24,479,857,086	Net asset value (Note a)	N/A	N/A	N/A	N/A
Financial assets at fair value through profit or loss - Equity investments	101,663,833	Net asset value (Note a)	N/A	N/A	N/A	N/A
Financial assets at fair value through profit or loss - Equity investments	1,069,899,944	Others	N/A	N/A	N/A	N/A
Financial assets at fair value through profit or loss - Debt securities	47,210,290	Net asset value (Note a)	N/A	N/A	N/A	N/A
Financial assets at fair value through profit or loss - Convertible promissory note	1,169,086,449	Binomial model and discounted cash flow method	- Spot equity value	HK$1,077,642,677	+5%/ -5%	30 million/ (25 million)
			- Volatility	50%	+5% -5%	4 million/ (5 million)
Financial assets at fair value through other comprehensive income – Equity investments	1,769,996,284	Market comparable method	N/A	N/A	N/A	N/A
Total return swaps	1,330,580,439	Accrued method (Note b)	N/A	N/A	N/A	N/A
Option	883,119,231	Others	N/A	N/A	N/A	N/A
	30,851,413,556					
Financial liabilities						
Total return swaps	7,609,649,547	Accrued method (Note b)	N/A	N/A	N/A	N/A
Financial liabilities at FVPL	700,329,580	Net asset value (Note a)	N/A	N/A	N/A	N/A
	8,309,979,127					

43 Fair value hierarchy (Continued)

(c) Financial instruments in level 3 (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value at 31 December 2019 (HK$)	Valuation Technique	Unobservable inputs	Weighted average input	Reasonable possible shift	Change in valuation (HK$)
Financial assets						
Financial assets at fair value through profit or loss - Fund investments	16,769,456,180	Net asset value (Note a)	N/A	N/A	N/A	N/A
Financial assets at fair value through profit or loss - Equity investments	100,516,333	Net asset value (Note a)	N/A	N/A	N/A	N/A
Financial assets at fair value through profit or loss - Convertible promissory note	13,415,579,956	Binomial model and discounted cash flow method	- Spot share price	HK$235	+5%/ -5%	603 million/ (623 million)
			- Bond yield	6.08%	+1%/ -1%	(109 million)/ 113 million
			- Volatility	46.16%	+1% -1%	138 million/ (178 million)
			- Cost of equity	13%	+1% -1%	(1.1 billion)/ 1.3 billion
Financial assets at fair value through profit or loss - others	552,269,117	Others	N/A	N/A	N/A	N/A
	30,837,821,586					
Financial liabilities						
Total return swaps	3,159,433,159	Accrued method (Note b)	N/A	N/A	N/A	N/A
Financial liabilities at FVPL	802,112,100	Net asset value (Note a)	N/A	N/A	N/A	N/A
	3,961,545,259					

Notes:

(a) Net asset value of the investment refers to the Group's share of the reported asset and liability position of the investment as provided by the fund administrator. The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

(b) Accrued method is the fair value of the underlying financial assets adjusted for earned or settled cash flow up to the end of the reporting period.

43 Fair value hierarchy (Continued)

(c) Financial instruments in level 3 (Continued)

Valuation processes and techniques by the Group

The Group's management reviews the valuations performed by the independent valuer for financial reporting purpose. Discussion of the valuation process and results are held between management and the independent valuer at least once a year, in line with the Group's annual reporting dates. As at 31 December 2020, the fair value of a convertible promissory note included in financial assets at fair value through profit or loss amounting to HK$1,169,086,449 (2019:HK$13,415,579,956) has been determined by an independent valuer.

As at the end of the year the management:
- Verifies all major inputs to the independent valuation report;
- Assesses valuations movement; and
- Holds discussion with the independent valuer.

Transfer

The Group's policy is to recognise transfer of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. No asset measured at fair value was transferred from Level 1 to Level 2 during the year ended 31 December 2020 (2019: nil). Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. During the year ended 31 December 2020, there were no (2019: Nil) transfers of assets from Level 2 to Level 1.

During the year ended 31 December 2020, the convertible promissory note included in financial assets at fair value through profit or loss amounting to HK$14,236,550,162 (2019: HK$13,415,579,956) issued by Lufax Holding Ltd was transferred from level 3 to level 2 (2019: Nil) since the underlying shares of Lufax Holding Ltd was listed since October 2020 and the input in fair value measurement was changed.

The Group transferred HK$5,223,862,793 (2019: HK$2,803,477,975) unlisted equity and funds, and HK$154,913,813 (2019: Nil) total return swaps included in derivative assets from Level 2 to Level 3 during the year because observable transactions for such investments are no longer available.

44 Financial and insurance risk management objectives and policies

The Group's principal financial instruments comprise convertible promissory note, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investments measured at amotised cost, loans to fellow subsidiaries and associates, deposits and other receivables, derivative assets and liabilities, time deposits, cash and cash equivalents, bonds payable, interest-bearing bank and other borrowings, amounts due from and to group entities, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations, strategic investments and to manage its working capital. The Group has various financial assets such as insurance receivables, investments and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts, currency swap contracts, total return swap contracts and interest rate swap contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are insurance risk, interest rate risk, foreign currency risk, credit risk, other price risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

44 Financial and insurance risk management objectives and policies (Continued)

Insurance risk

The insurance business of the Group comprises general insurance contracts. The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, the timing of payments and the possibility of legal developments that increase the exposure of the insurer.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. Further details are included in note 38.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's listed and unlisted debt securities.

The following analysis is performed for reasonably possible movements in interest rate with all other variables held constant.

		31 December 2020		31 December 2019	
	Change in interest rate (basis point)	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity before tax HK$'000	(Decrease)/ increase in profit before tax HK$'000	(Decrease)/ increase in equity before tax HK$'000
Listed and unlisted debt securities at fair value through other comprehensive income	±50	-/ -	(52,317) / 53,226	-/ -	(43,545) / 44,297
Debt securities at FVPL	±50	(28,250) / 28,647	-/ -	(16,091) / 16,441	-/ -
Convertible promissory note	±100	(90,302)/ 91,517	-/ -	(148,225)/ 152,119	-/ -

44 Financial and insurance risk management objectives and policies (Continued)

Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has significant investments and financing outside Hong Kong denominated mainly in USD, RMB, GBP and EUR for the year ended 31 December 2020 (2019: USD, RMB, GBP and EUR). The Hong Kong dollar is pegged to the USD and therefore there is no significant currency risk arising from the financial assets and liabilities denominated in USD. As a result, the Group's consolidated balance sheet can be affected significantly by movements in the above major currencies exchange rates. The Group seeks to manage their foreign currency risk by entering into derivative contracts to hedge the foreign exchange risk exposure.

As at 31 December 2020, the monetary exposure in HKD are mainly RMB, GBP and EUR with the amount approximately HK$878 million, HK$2,487 million and HK$1,262 million respectively (2019: HK$457 million, HK$4,603 million and HK$2,440 million respectively). As at 31 December 2020, a 5% increase/(decrease) in the estimated reasonable possible shift of the exchange rates of RMB, GBP and EUR would result in approximately HK$44 million, HK$124 million and HK$63 million increase/(decrease) in profit before tax for the year respectively (2019: HK$23 million, HK$230 million and HK$122 million respectively).

Credit risk

(a) Credit risk management

The Group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- loans to associates, fellow subsidiaries and third parties
- debt investments carried at amortised cost
- debt investments carried at FVOCI
- debt investments carried at FVPL
- derivatives and convertible promissory note carried at FVPL
- deposits and other receivables
- amounts due from the ultimate holding company
- amounts due from fellow subsidiaries
- time deposits
- cash and cash equivalent

While deposits, other receivables, amounts due from the ultimate holding company, amounts due from fellow subsidiaries, time deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, management considers the expected credit loss impairment allowance was immaterial.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Loans are written off after all the necessary procedures have substantially been completed and the amount of the loss has been determined. Where loans have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(b) Expected credit loss

The Group formulates the credit losses of financial assets measured at amortised cost and FVOCI using ECL models according to HKFRS 9 requirements.

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(b) Expected credit loss *(Continued)*

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, lifetime or 12-month expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of Exposure at Default ("EAD"), Probability of Default ("PD") and Loss given Default ("LGD").

i) Exposure at Default ("EAD"): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

ii) Probability of Default ("PD"): The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime ("Lifetime PD") of the obligation.

iii) Loss given Default ("LGD"): LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default ("EAD"). LGD is calculated on a 12-month or lifetime basis.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

Judgement of significant increase in credit risk ('SICR')

Under HKFRS 9, when considering the impairment stages for financial investments, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group considers various reasonable supporting information to judge if there is significant increase in credit risk, including the forward-looking information, when determining the ECL staging for financial investments. Major factor being considered include regulatory and operating environment, internal and external credit ratings, solvency, and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgement criteria mainly includes the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(b) Expected credit loss *(Continued)*

Judgement of significant increase in credit risk ('SICR') (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a SICR on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

Regardless of the analysis above, a SICR is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is presumed when the counterparty fails to make contractual payments within 90 days of when they fall due.

The definition of credit-impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the financial assets has been credit impaired, the following factors would be considered:

- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender;
- The debtor has significant financial difficulties;
- The debtor is likely to go bankrupt or other financial restructuring;
- The active market for financial assets disappears because of financial difficulties

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit impaired.

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(b) Expected credit loss *(Continued)*

Forward-looking information

The determinations of 12 months and the lifetime EAD, PD and LGD also incorporates forward-looking information. The Group has performed historical data analysis and identified the key macroeconomic variables associated with credit risk and expected credit losses for each portfolio. The Group has developed macroeconomic forward looking adjustment model by establishing a pool of macro-economic indicators, preparing data, filtering model factors and adjusting forward-looking elements, and the indicators include gross domestic product ("GDP") fluctuation ratio, customer price index ("CPI") fluctuation ratio, PMI and other macroeconomic variables. Through regression analysis, the relationship among these economic indicators in history with EAD, PD and LGD is determined, and the EAD, PD, LGD are then determined through forecasting economic indicator.

Sensitivity analysis

Changes in these input parameters used in the model, macroeconomic variables of the forward-looking forecast, assumptions, and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses. The Company does not anticipate that this impact on consolidated financial statements is material.

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(b) Expected credit loss *(Continued)*

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Stage 1	A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Stage 2	If a significant increase in credit risk ("SICR") since initial recognition is identified but is not yet deemed to be credit-impaired, the financial instrument is moved to "Stage 2".	Lifetime expected losses	Gross carrying amount
Stage 3	If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".	Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)

No significant changes to estimation techniques or assumptions were made during the reporting period.

The Group internally grades the financial instruments based on the credit quality and risk characteristics. The credit rating of the financial instruments could further be classified as "low risk", "medium risk", "high risk" and "default" according to the internal rating scale. "Low risk" means that the asset quality is good, there is sufficient evidence to show that the asset is not expected to have default, or there is no reason to suspect that the asset had incurred default. "Medium risk" means that the asset quality is acceptable or there are factors revealing potential negative impact on the asset quality, but there is no sufficient reason to suspect that the asset had incurred default. "High risk" means that there is factors revealing significant adverse impact on the asset quality, and there are reasons to suspect that the asset had incurred default. The criteria of "default" are consistent with those of "credit-impaired".

The following table contains an analysis of the credit risk exposure of main financial assets for which an ECL allowance is recognised. The carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(b) Expected credit loss *(Continued)*

Loan to associates, fellow subsidiaries and third parties:

	31 December 2020				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Credit grade					
Low risk	4,098,547,887	-	-	-	4,098,547,887
Medium risk	-	472,364,826	-	-	472,364,826
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	4,098,547,887	472,364,826	-	-	4,570,912,713
Impairment loss allowance	(29,922,776)	(82,681,210)	-	-	(112,603,986)
Carrying amount	4,068,625,111	389,683,616	-	-	4,458,308,727

	31 December 2019				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Credit grade					
Low risk	7,507,561,353	-	-	-	7,507,561,353
Medium risk	-	3,300,178,616	-	-	3,300,178,616
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	7,507,561,353	3,300,178,616	-	-	10,807,739,969
Impairment loss allowance	(112,162,999)	(217,363,850)	-	-	(329,526,849)
Carrying amount	7,395,398,354	3,082,814,766	-	-	10,478,213,120

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(b) Expected credit loss *(Continued)*

Debt investments at amortised cost:

	31 December 2020				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
Credit grade					
Low risk	8,726,234,997	-	-	-	8,726,234,997
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	8,726,234,997	-	-	-	8,726,234,997
Impairment loss allowance	(198,089,427)	-	-	-	(198,089,427)
Carrying amount	8,528,145,570	-	-	-	8,528,145,570

	31 December 2019				
	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
Credit grade					
Low risk	5,484,129,707	-	-	-	5,484,129,707
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	5,484,129,707	-	-	-	5,484,129,707
Impairment loss allowance	(112,699,370)	-	-	-	(112,699,370)
Carrying amount	5,371,430,337	-	-	-	5,371,430,337

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(b) Expected credit loss *(Continued)*

Debt investments at FVOCI:

	31 December 2020				
		ECL staging			
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
Credit grade					
Low risk	5,259,352,597	-	-	-	5,259,352,597
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount and fair value adjustment	5,259,352,597	-	-	-	5,259,352,597
Impairment loss allowance	(24,787,276)	-	-	-	(24,787,276)
Carrying amount	5,234,565,321	-	-	-	5,234,565,321

	31 December 2019				
		ECL staging			
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
Credit grade					
Low risk	4,401,949,231	-	-	-	4,401,949,231
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount and fair value adjustment	4,401,949,231	-	-	-	4,401,949,231
Impairment loss allowance	(27,255,151)	-	-	-	(27,255,151)
Carrying amount	4,374,694,080	-	-	-	4,374,694,080

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(c) Summary of credit risk exposure

(i) Loan to associates, fellow subsidiaries and third parties

The impairment loss allowance for loan portfolio as at 31 December 2020 and 31 December 2019 reconciles to the opening impairment loss allowance for that provision as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance as at 31 December 2019	112,162,999	217,363,850	-	329,526,849
Transfer between stage 1 and stage 2	(24,962,634)	24,962,634	-	-
Transfer between stage 1 and stage 3	(59,491,969)	-	59,491,969	-
Increase/(decrease) in the provision recognised in profit or loss during the year, net	2,566,092	(158,654,801)	1,681,837,498	1,525,748,789
Exchange realignment	(351,712)	(990,473)	-	(1,342,185)
De-recognition	-	-	(1,741,329,467)	(1,741,329,467)
As at 31 December 2020	29,922,776	82,681,210	-	112,603,986

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance as at 31 December 2018	22,485,020	-	-	22,485,020
New financial assets originated	712,119	-	-	712,119
Transfer between stage 1 and stage 2	(5,859,346)	5,859,346	-	-
Increase in the provision recognised in profit or loss during the year, net	95,417,926	212,733,083	-	308,151,009
Exchange realignment	(592,720)	(1,228,579)	-	(1,821,299)
As at 31 December 2019	112,162,999	217,363,850	-	329,526,849

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(c) Summary of credit risk exposure (Continued)

(i) Loan to associates, fellow subsidiaries and third parties (Continued)

As at 31 December 2020 and 31 December 2019, all loans are in stage 1 and 2. The gross carrying amount of loan portfolio, and thus the maximum exposure to loss, is as follows:

	2020 HK$	2019 HK$
Loan to associates, fellow subsidiaries and third parties	4,570,912,713	10,807,739,969
Less: impairment loss allowance	(112,603,986)	(329,526,849)
Loan receivables net of impairment loss allowance	4,458,308,727	10,478,213,120

(ii) Debt investments at amortised cost

Debt investments at amortised cost include listed and unlisted bonds. The impairment loss allowance for debt investments at amortised cost is recognised in profit or loss.

The impairment loss allowance for debt investments at amortised cost as at 31 December 2020 and 31 December 2019 reconciles to the opening impairment loss allowance for that provision as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance as at 31 December 2019	112,699,370	-	-	112,699,370
Increase in the provision recognised in profit or loss during the year	85,969,505	-	-	85,969,505
Exchange realignment	(579,448)	-	-	(579,448)
As at 31 December 2020	198,089,427	-	-	198,089,427

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(c) Summary of credit risk exposure (Continued)

(ii) Debt investments at amortised cost (Continued)

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance as at 31 December 2018	8,738,444	-	-	8,738,444
Increase in the provision recognised in profit or loss during the year	104,647,489	-	-	104,647,489
Exchange realignment	(686,563)	-	-	(686,563)
As at 31 December 2019	112,699,370	-	-	112,699,370

(iii) Debt investments at FVOCI

Debt investments at FVOCI include listed and unlisted debt securities. The impairment loss allowance for debt investments at FVOCI is recognised in profit or loss.

The impairment loss allowance for debt investments at amortised cost as at 31 December 2020 and 31 December 2019 reconciles to the opening impairment loss allowance for that provision as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance as at 31 December 2019	27,255,151	-	-	27,255,151
Decrease in the provision recognised in profit or loss during the year	(2,314,262)	-	-	(2,314,262)
Exchange realignment	(153,613)	-	-	(153,613)
As at 31 December 2020	24,787,276	-	-	24,787,276

44 Financial and insurance risk management objectives and policies (Continued)

Credit risk (Continued)

(c) Summary of credit risk exposure (Continued)

(iii) Debt investments at FVOCI (Continued)

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance as at 31 December 2018	36,983,002	-	-	36,983,002
Decrease in the provision recognised in profit or loss during the year	(9,493,151)	-	-	(9,493,151)
Exchange realignment	(234,700)	-	-	(234,700)
As at 31 December 2019	27,255,151	-	-	27,255,151

(iv) Debt investments, derivatives and convertible promissory note at FVPL

The entity is also exposed to credit risk in relation to debt investments, derivatives and convertible promissory note that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2020: HK$7,184,070,550; 2019: HK$16,915,552,700).

Price risk

Price risk is the risk that the fair values of equity investments and funds decrease as a result of changes in the levels of equity indices and the value of individual investments. The Group is exposed to equity price risk arising from equity investments, funds and convertible promissory notes at FVPL.

The following table demonstrates the sensitivity to every 5% change in the fair values of the fund, equity investments and convertible promissory notes at FVPL with all other variables held constant and before any impact on tax, based on their carrying amounts at the reporting date.

44 Financial and insurance risk management objectives and policies (Continued)

	Carrying amount of fund, equity investments and convertible promissory notes at FVPL HK$	Increase/ decrease in profit before tax HK$	Increase/ decrease in equity before tax HK$
31 December 2020			
Financial assets at fair value through profit or loss			
Listed equity investments	2,158,417,621	107,920,881	107,920,881
Unlisted equity investments	5,671,186,116	283,559,306	283,559,306
Listed funds	402,917,105	20,145,855	20,145,855
Unlisted funds	27,514,783,852	1,375,739,193	1,375,739,193
Convertible promissory notes at FVPL	15,405,636,611	770,281,831	770,281,831
Financial assets at fair value through other comprehensive income			
Listed equity	158,530,445	-	7,926,522
Unlisted equity	1,769,996,284	-	88,499,814
31 December 2019			
Financial assets at fair value through profit or loss			
Listed equity investments	1,409,477,043	70,473,852	70,473,852
Unlisted equity investments	3,284,436,690	164,221,835	164,221,835
Listed funds	354,450,369	17,722,518	17,722,518
Unlisted funds	21,607,309,643	1,080,365,482	1,080,365,482
Convertible promissory notes at FVPL	13,415,579,956	670,778,998	670,778,998
Financial assets at fair value through other comprehensive income			
Listed equity	77,831,000	-	3,891,550
Unlisted equity	4,096,643,594	-	204,832,180

44 Financial and insurance risk management objectives and policies (Continued)

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures it has sufficient cash on demand to meet expected operational expense for a reasonable period, including the servicing of financial obligations.

In view of the forthcoming maturity of approximately HK$21 billion (2019: HK$7 billion) of bonds payable and HK$27 billion (2019: HK$31 billion) interest-bearing bank borrowings within 12 months, management ensures that the Group maintains sufficient reserves of cash and readily realisable marketable securities and adequate lines of funding from major financial institutions to meet its liquidity requirements. The Group's liquidity management strategy also includes arranging refinancing of certain bank loans. As at 31 December 2020, the Group also has cash and cash equivalents of HK$3,615,513,393 (2019: HK$4,337,184,793). The directors of the Company are of the opinion that the Group's liquidity risk is adequately managed.

It is the policy of the Group to regularly monitor its current and expected liquidity requirements to meet operational needs and to enable the Group to consider possible investment opportunities.

The table below summarises the remaining contractual maturity profile of the Group's financial liabilities based on undiscounted contractual cash flows.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Year ended 31 December 2020	HK$	HK$	HK$	HK$	HK$	HK$
Bonds payable	-	133,623,674	6,310,254,461	14,646,465,112	2,671,567,463	23,761,910,710
Lease liabilities	-	17,444,160	53,332,480	16,056,404	-	86,833,044
Interest-bearing bank and other borrowings	-	23,535,029,331	3,703,682,238	25,796,469	-	27,264,508,038
Other payables and accruals	808,458,699	-	-	-	-	808,458,699
Insurance payables	94,982,084	-	-	-	-	94,982,084
Derivative liabilities and other financial liabilities at fair value through profit or loss	-	147,139,148	4,968,570,441	2,928,652,715	730,087,746	8,774,450,050
Amount due to the ultimate holding company	25,688,302	-	-	-	-	25,688,302
Amounts due to fellow subsidiaries	239,858,969	-	-	-	-	239,858,969
	1,168,988,054	23,833,236,313	15,035,839,620	17,616,970,700	3,401,655,209	61,056,689,896

44 Financial and insurance risk management objectives and policies (Continued)

Liquidity risk (Continued)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Year ended 31 December 2019	HK$	HK$	HK$	HK$	HK$	HK$
Bonds payable	-	3,738,664,664	1,846,058,237	11,458,188,676	2,830,551,322	19,873,462,899
Lease liabilities	-	17,683,893	53,051,680	74,902,469	-	145,638,042
Loan from a fellow subsidiary	-	536,301	51,626,781	-	-	52,163,082
Interest-bearing bank and other borrowings	21,873,471,934	9,425,012,684	374,914	37,345,943	2,787,573	31,338,993,048
Other payables and accruals	992,851,223	-	-	-	-	992,851,223
Insurance payables	70,825,554	-	-	-	-	70,825,554
Derivative liabilities and other financial liabilities at fair value through profit or loss	-	756,371,395	2,784,432,469	262,813,569	802,112,100	4,605,729,533
Amount due to ultimate holding company	38,633,705	-	-	-	-	38,633,705
Amounts due to fellow subsidiaries	341,968,991	-	-	-	-	341,968,991
	23,317,751,407	13,938,268,937	4,735,544,081	11,833,250,657	3,635,450,995	57,460,266,077

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt (which includes bank and other borrowings), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The Group's management reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

In addition, certain companies within the Group are subject to regulatory capital requirements and the Group's capital management takes into consideration the need for these entities to be adequately capitalized. All such companies complied with the regulatory capital requirements to which they are subject during the financial year.

44 Financial and insurance risk management objectives and policies (Continued)

For insurance business, in determining the Group's compliance with the capital requirements to which it is subject, the Group makes changes prescribed by regulations made under the Insurance Ordinance (Cap.41) to the carrying values of assets and liabilities as reflected in these financial statements. The Group also calculates required levels of admissible assets and (for the purposes of localisation requirements) admissible assets maintained in Hong Kong, to compare to liabilities. During the financial year, the Group has complied with these requirements.

The licensed corporation is also subject to regulatory capital requirement imposed by the Hong Kong Securities and Futures Commission (the "SFC") under the Securities and Futures (Financial Resources) Rules (the "FRR"). Capital adequacy and utilisation of regulatory capital are monitored daily by the Company's management in accordance with the FRR. The FRR return is filed with the SFC on a monthly basis. The licensed corporation is required to report its liquid capital on a monthly basis and has complied with the liquid capital requirement under the FRR at each reporting date throughout the years ended 31 December 2020 and 2019.

The Group's maximum exposure to structured entities

The Group uses structured entities in the normal course of business for a number of purposes. The Group's maximum exposure to the unconsolidated structured entities representing the Group's maximum possible risk exposure that could occur as a result of the Group's arrangements with structured entities. The maximum exposure approximates the carrying amount of direct investments made by the Group.

45 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2020 HK$	2019 HK$
Assets			
Property and equipment		54,072,039	60,457,864
Right-of-use assets		66,025,873	121,262,290
Intangible assets		24,665,681	21,618,154
Investment in subsidiaries		41,560,726,489	38,588,741,731
Investments in associates		5,877,325,142	5,877,325,142
Financial assets at fair value through profit or loss		26,577,533,222	19,425,888,222
Financial assets at fair value through other comprehensive income		6,111,001,325	6,849,719,880
Investments measured at amortised cost		8,248,461,353	5,127,349,033
Derivative assets		2,351,445,440	154,913,813
Deferred tax assets		35,087,330	19,007,523
Taxation recoverable		-	21,764,122
Prepayments, deposits and other receivables		835,807,850	1,380,925,459
Loan to subsidiaries		509,468,012	2,473,687,564
Loans to third parties		707,522,565	2,732,194,839
Loan to fellow subsidiaries		108,443,181	5,576,150,739
Amount due from the ultimate holding company		2,141,116	8,294,383
Amounts due from subsidiaries		17,880,860,389	7,147,966,924
Amounts due from fellow subsidiaries		89,637,679	137,977,025
Cash and cash equivalents		2,508,554,297	2,467,447,514
Total assets		113,548,778,983	98,192,692,221

45 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

	Note	As at 31 December 2020 HK$	2019 HK$
Equity and liabilities			
Equity			
Share capital		7,085,000,000	7,085,000,000
Reserves	(a)	20,463,401,718	22,180,274,157
Total equity		27,548,401,718	29,265,274,157
Liabilities			
Lease liabilities		67,069,786	121,649,862
Loan from a fellow subsidiary		-	50,000,000
Interest-bearing bank and other borrowings		27,162,588,995	31,276,125,747
Derivative Liabilities		4,577,276,133	689,950,157
Tax payable		12,538,652	-
Deferred tax liabilities		23,080,186	8,604,469
Other payables and accruals		2,183,292,710	413,362,696
Amount due to the ultimate holding company		10,527,993	24,222,525
Amounts due to subsidiaries		51,744,801,379	36,147,277,972
Amounts due to fellow subsidiaries		219,201,431	196,224,636
Total liabilities		86,000,377,265	68,927,418,064
Total liabilities and shareholders' equity		113,548,778,983	98,192,692,221

The balance sheet of the Company was approved by the Board of Directors on 26 March 2021 and were signed on its behalf.

Tung Hoi
Director

Chen Ning
Director

45 Statement of balance sheet and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Other reserves HK$	Retained earnings HK$	Total HK$
At 1 January 2019	2,835,986,912	20,358,230,489	23,194,217,401
Loss for the year	-	(1,201,143,287)	(1,201,143,287)
Subscription in share award scheme	(25,582,389)	-	(25,582,389)
Share award scheme vested	738,335	-	738,335
Change in fair value of financial assets at fair value through other comprehensive income	212,044,097	-	212,044,097
At 31 December 2019	3,023,186,955	19,157,087,202	22,180,274,157
At 1 January 2020	3,023,186,955	19,157,087,202	22,180,274,157
Loss for the year	-	(76,475,733)	(76,475,733)
Subscription in share award scheme	(21,767,231)	-	(21,767,231)
Share award scheme vested	2,224,910	-	2,224,910
Change in fair value of financial assets at fair value through other comprehensive income	(1,620,854,385)	-	(1,620,854,385)
At 31 December 2020	1,382,790,249	19,080,611,469	20,463,401,718

46 Subsequent events

On 25 February 2021, a subsidiary of the Group drew down a USD bond with an aggregate principal amount of US$250,000,000 under its US$3,000,000,000 medium term note programme. The bond carries interest at a rate of 2.95% per annum and is redeemable at its issue price on 25 February 2031. Interest is payable half-yearly in arrears on 25 February and 25 August.

47 Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

ISSUER

China Ping An Insurance Overseas (Holdings) Limited
(中國平安保險海外(控股)有限公司)
Suite 2318, 23rd Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

ARRANGER AND DEALER

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

INDEPENDENT AUDITOR OF THE ISSUER

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central
Hong Kong

TRUSTEE

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

ISSUING AND PAYING AGENT, PAYING AGENT, CMU LODGING AND PAYING AGENT, REGISTRAR, TRANSFER AGENT AND CALCULATION AGENT

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISERS

To the Issuer as to Hong Kong and English Law

Clifford Chance
27th Floor
Jardine House
One Connaught Place
Central
Hong Kong

To the Arranger, the Dealer and the Trustee as to English law

Linklaters
11th Floor
Alexandra House
Chater Road
Central
Hong Kong