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In order to be eligible to view the attached document or make an investment decision with respect to the securities described therein, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached document, you shall be deemed to have represented to us and the Joint Lead Managers (each as defined herein) (1) that you and any customers you represent are not, and 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, its territories or possessions, (2) that you consent to delivery of the attached document and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described herein, you will be doing so in an offshore transaction (as defined in regulations under the Securities Act) in compliance with Regulation S thereunder.

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

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of us or the Joint Lead Managers to subscribe or purchase any security, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of any of the Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of us in such jurisdiction. The securities described herein will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

The attached document 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 us, the Joint Lead Managers nor any of our or their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the attached document distributed to you in electronic format or any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

The attached document and is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the attached document. You are reminded that the information therein is not complete and may be changed.

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STRICTLY CONFIDENTIAL

GF FINANCIAL HOLDINGS BVI LTD.

(incorporated in the British Virgin Islands with limited liability)

U.S.$300,000,000 1.125 per cent. Credit Enhanced Bonds due 2024

with the benefit of a Keepwell Deed provided by

廣發控股(香港)有限公司
GF HOLDINGS (HONG KONG) CORPORATION LIMITED

(incorporated in Hong Kong with limited liability)

and an irrevocable Standby Letter of Credit issued by Nanyang Commercial Bank, Limited

Issue Price: 99.859 per cent.

The 1.125 per cent. credit enhanced bonds in the aggregate principal amount of U.S.$300,000,000 due 2024 (the "**Bonds**") will be issued by GF Financial Holdings BVI Ltd. (the "**Issuer**"). The Issuer is a direct wholly-owned subsidiary of GF Holdings (Hong Kong) Corporation Limited (the "**Company**").

The Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") denominated in U.S. dollars and issued by Nanyang Commercial Bank, Limited (the "**LC Bank**"). See "*Appendix I — Form of Irrevocable Standby Letter of Credit*" for the form of the Standby Letter of Credit.

The Bonds will bear interest on their outstanding principal amount from and including 15 September 2021 (the "**Issue Date**") at the rate of 1.125 per cent. per annum payable semi-annually in arrear on 15 March and 15 September of each year (each an "**Interest Payment Date**") in equal instalments of U.S.$5.625 per Calculation Amount (as defined in the Terms and Conditions of the Bonds (the "**Conditions**")) commencing on 15 March 2022. All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or Hong Kong or, in each case, any other relevant jurisdiction or any political subdivision or any authority therein or thereof having power to tax, to the extent described under "*Terms and Conditions of the Bonds — Taxation*".

The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The Company has made an application for the pre-issuance registration in relation to the Bonds with the National Development and Reform Commission (the "**NDRC**") pursuant to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資[2015] 2044號)) issued by the NDRC (the "**NDRC Circular**"). The Company has received an Enterprise Foreign Debt Filing Certificate dated 18 August 2021 from the NDRC pursuant to the NDRC Circular. Pursuant to the requirements of the NDRC Circular, the Company will be required to file or cause to be filed with the NDRC the requisite information and documents in respect of the issuance of the Bonds within the requisite time period (the "**NDRC Post-issue Filing**").

The Issuer, the Company and CMB Wing Lung (Trustee) Limited (the "**Trustee**") will enter into a keepwell deed dated the Issue Date (the "**Keepwell Deed**") as further described under "*Description of the Keepwell Deed*". **The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Issuer under the Bonds and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company.**

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem each Bond at its principal amount on 15 September 2024 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined in the Conditions) (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together with any interest accrued to (but not including) the date fixed for redemption, if, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as further described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*". The Bonds may also be redeemed at the option of the holders at their principal amount, together with accrued interest, upon occurrence of a Change of Control (as defined in the Conditions). See "*Terms and Conditions of the Bonds — Redemption and Purchase*".

The Bonds will be issued in specified denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 43.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Standby Letter of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle from, and admission to the Official List of, the SGX-ST and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company, the Group, the LC Bank, any of their subsidiaries, associated companies or the Bonds.

The Bonds are expected to be assigned a rating of "A2" by Moody's Investor Services, Inc. ("**Moody's**"). A rating does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

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

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

GF Securities | **Nanyang Commercial Bank** | **Bank of China (Hong Kong)** | **Bank of Communications**

China CITIC Bank International | **China Construction Bank (Asia)** | **HSBC** | **ICBC (Asia)**

Industrial Bank Co., Ltd. Hong Kong Branch | **Shanghai Pudong Development Bank Hong Kong Branch** | **Standard Chartered Bank**

Joint Lead Managers and Joint Bookrunners

ABC International | **Agricultural Bank of China Limited Hong Kong Branch** | **BOCOM International** | **BOSC International** | **CCB International**

Central Wealth Securities Investment Limited | **Changjiang Securities (HK)** | **China Everbright Bank Hong Kong Branch** | **China Industrial Securities International** | **China International Capital Corporation** | **China Merchants Securities (HK)** | **China Minsheng Banking Corp., Ltd., Hong Kong Branch**

CMB International | **CMBC Capital** | **CMB Wing Lung Bank Limited** | **CNCB Capital** | **DBS Bank Ltd.** | **Guosen Securities (HK)**

Guotai Junan International | **Guoyuan Capital** | **Haitong International** | **Huatai International** | **ICBC International** | **NATIXIS**

Shenwan Hongyuan (H.K.) | **Soochow Securities (Hong Kong)** | **SPDB International** | **TF International** | **Zhongtai International**

Offering Circular dated 8 September 2021

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE COMPANY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Singapore SFA 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 Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and are Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Each of the Issuer and the Company confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Company, and the Company's subsidiaries taken as a whole (the "**Group**"), the LC Bank, the Keepwell Deed, the Standby Letter of Credit and the Bonds which is material in the context of the issue and offering of the Bonds (including all information which is required by applicable laws and the information which, according to the particular nature of the Issuer, the Company, the Group, the Keepwell Deed, the Standby Letter of Credit and the Bonds, is necessary to enable investors to make an informed assessment of the financial position, results of operations, liquidity and prospects of the Issuer, the Company and the Group and of the rights attaching to the Keepwell Deed, the Standby Letter of Credit and the Bonds), (ii) the Issuer and the Company have taken reasonable care in compilation and reproducing of the information included in this Offering Circular regarding the LC Bank, and the statements included in this Offering Circular relating to the LC Bank are based on, or derived or extracted from, among other sources, publicly available information which the Issuer and the Company believe to be accurate and reliable in all material respects, and represent its good faith estimates that are made on the basis of information so derived from such sources; (iii) the statements with respect to the Issuer, the Company, the Group, the Bonds and the Standby Letter of Credit contained in this Offering Circular are, in every material particular true and accurate and not misleading in any material respect; (iv) the opinions and intentions expressed in this Offering Circular are, honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (v) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (vi) in relation to the Issuer, the Company, their respective subsidiaries, the Group, the Keepwell Deed, the Standby Letter of Credit or the Bonds, this Offering Circular does not, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular are based on or derived or extracted from sources which each of the Issuer and the Company believes to be accurate and reliable in all material respects.

Notwithstanding the foregoing, the information included in this Offering Circular regarding the LC Bank is for information purposes only and is based on, or derived or extracted from, publicly available information. The Issuer and the Company have taken reasonable care in the compilation and reproduction of the information included in this Offering Circular regarding the LC Bank. However, none of the Issuer, the Company, the Trustee, the Agents (as defined in the Conditions) or any of GF Securities (Hong Kong) Brokerage Limited, Nanyang Commercial Bank, Limited, Bank of China (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch, China CITIC Bank International Limited, China Construction Bank (Asia) Corporation Limited, The Hongkong and

Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and Standard Chartered Bank, ABCI Capital Limited, Agricultural Bank of China Limited Hong Kong Branch, BOCOM International Securities Limited, BOSC International Company Limited, CCB International Capital Limited, Central Wealth Securities Investment Limited, Changjiang Securities Brokerage (HK) Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Industrial Securities International Brokerage Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, CMB International Capital Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, DBS Bank Ltd., Guosen Securities (HK) Brokerage Company, Limited, Guotai Junan Securities (Hong Kong) Limited, Guoyuan Capital (Hong Kong) Limited, Haitong International Securities Company Limited, Huatai Financial Holdings (Hong Kong) Limited, ICBC International Securities Limited, NATIXIS, Shenwan Hongyuan Securities (H.K.) Limited, Soochow Securities International Brokerage Limited, SPDB International Capital Limited, TFI Securities and Futures Limited and Zhongtai International Securities Limited (the "**Joint Lead Managers**") or any of their respective affiliates, officers, employees, directors, agents, representatives and advisors, and any person who controls any of them, has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, officers, employees, directors, agents, representatives and advisors, or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described herein. The distribution of this Offering Circular, the offering of the Bonds and the issuance of the Standby Letter of Credit in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company, to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the Standby Letter of Credit or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Standby Letter of Credit, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith, including the United States, the United Kingdom, Hong Kong, the PRC, Singapore, Japan and the British Virgin Islands. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Company or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Company or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company or the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds and the Standby Letter of Credit.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Company, the LC Bank and the risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee or an Agent, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or on its behalf, in connection with the Issuer, the Company, the Group, or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates undertakes to review the financial condition or affairs of the Issuer or the Company during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Bonds, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them, or any of them that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Company with its own tax, legal and business advisers as it deems necessary.

The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING AS A STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO

LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND DIRECTIVES.

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

WARNING

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

INDUSTRY AND MARKET DATA

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Company believe the information to be reliable, it has not been independently verified by the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the accuracy or completeness of such information.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains summary consolidated financial information of the Company as at and for the years ended 31 December 2018, 2019 and 2020, which has been extracted from the consolidated financial statements of the Company for the years ended 31 December 2019 and 2020 (the "**Audited Financial Statements**") available elsewhere in this Offering Circular. The Audited Financial Statements have been audited by Ernst & Young ("**Ernst & Young**"), the independent auditor of the Company. The Company's Financial Statements were prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants.

This Offering Circular contains certain information about the LC Bank which is based on, or derived or extracted from, among other sources, publicly available information. The LC Bank publishes its annual consolidated audited financial statements of each financial year, as well as its semi-annual interim report of the six months ended 30 June of each year, together with the audit or review reports prepared in connection therewith, on its website at https://www.ncb.com.hk and the website of the Hong Kong Monetary Authority at https://www.hkma.gov.hk. These financial statements and reports are deemed to be incorporated in, and to form part of, this Offering Circular, and may be obtained without charge from these websites.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “PRC”, “China” and “mainland China” are to the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan), and all references to the “United States” and “U.S.” are to the United States of America, all references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “Renminbi”, “RMB” and “CNY” are to the lawful currency of the PRC; all references to “HKD”, “HK$” and “HK dollars” are to the lawful currency of Hong Kong, and all references to “USD”, “U.S.$” and “U.S. dollars” are to the lawful currency of the United States of America.

The consolidated financial statements of the Company are presented in Hong Kong dollars. For convenience only and unless otherwise noted, all translations from Hong Kong dollars into U.S. dollars in this Offering Circular were made at the rate of HK$7.7525 to U.S.$1.00, which was based on the mid-price of quotation of major banks in Hong Kong on 31 December 2020. No representation is made that the Hong Kong dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, and vice versa.

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

FORWARD-LOOKING STATEMENTS

The Issuer and the Company have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer, the Company and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer, the Company or by any third party) involve known and unknown risks, including those disclosed under the caption "*Risk Factors*", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Company or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

The factors that could cause the actual results, performances and achievements of the Issuer, the Company, the Group or any member of the Group to be materially different include, among others:

- the Group's ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- the financial condition, performance and business prospects of the Group;
- the Group's capital expenditure plans and its ability to carry out those plans;
- the Group's access to and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- any changes in relevant laws, rules and regulations relating to the Group's business;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group's control;
- changes in global economic conditions; and
- other factors, including those discussed in "*Risk Factors*".

Neither the Issuer nor the Company undertakes any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section entitled "Risk Factors", before making an investment decision.

OVERVIEW

The Company is a direct wholly-owned subsidiary of GF Securities Co., Ltd. ("**GF Securities**"), a company listed on both the Shenzhen Stock Exchange (stock code: 000776.SZ) and The Stock Exchange of Hong Kong Limited (the "**HKSE**") (stock code: 1776.HK). The Company was established upon the approval from the CSRC on 14 June 2006. Headquartered in Hong Kong, the Company is GF Securities' primary platform for managing GF Securities' business in Hong Kong and overseas markets. With Hong Kong as the springboard to international markets, the Group, strives to explore and capture opportunities in the PRC and build a global platform to bridge the Chinese and overseas capital markets, and to provide professional and effective capital market services for clients locally and globally.

The Group conducts its businesses mainly through its subsidiaries, some of which are licensed to undertake comprehensive regulated activities in Hong Kong. The Group has obtained the following licences from the Securities and Futures Commission ("**SFC**"): Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management). The Group also undertakes non-SFC regulated activities in Hong Kong and regulated activities in Canada.

The Group offers comprehensive cross-border financial services to corporate, institutional and retail clients in Hong Kong and overseas, and such services can be broadly divided into the following business lines:

- Brokerage and Wealth Management.
- Investment Banking.
- Investment Management.
- Trading and Institution business.

For the years ended 31 December 2018, 2019 and 2020, the Group's revenue was HK$1,331.4 million, HK$802.9 million and HK$994.8 million, respectively. For the years ended 31 December 2018 and 2019, the Group reported loss of HK$986.4 million and HK$320.9 million, respectively, primarily due to losses suffered by hedge funds consolidated under its financial accounts. In 2020, the Group's financial performance improved and the Group's profit amounted to HK$267.1 million for the year ended 31 December 2020. As at 31 December 2018, 2019 and 2020, the Group's total assets were HK$45,028.8 million, HK$17,253.4 million and HK$22,870.9 million, respectively and the Group's net assets were HK$5,323.4 million, HK$5,182.1 million and HK$5,433.2 million, respectively.

COMPETITIVE STRENGTHS

The Company believes that the Group has the following competitive strengths:

- Strong support from GF Securities.
- Well positioned geographically with access to the Guangdong-Hong Kong-Macau Greater Bay Area.
- One-stop licensed investment and financial services platform with diversified products and Services.
- Excellent corporate culture and market-oriented mechanism.
- Conservative leverage ratio and varieties of financing channels.

BUSINESS STRATEGIES

The Group intends to achieve its goal by pursuing the following strategies:

- Further expanding the existing client space.
- Enhancing the interconnection among markets.
- Developing the Group's core businesses.
- Strengthening internal control and technological innovation.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The Company's consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below has been derived from the Audited Financial Statements. The Audited Financial Statements were prepared and presented in accordance with HKFRS and have been audited by Ernst & Young, the independent auditor to the Company. The summary financial data below should be read in conjunction with the Audited Financial Statements and the notes thereto included elsewhere in this Offering Circular.

Consolidated Statement of Profit or Loss and other Comprehensive Income

	For the year ended 31 December		
	2018	**2019**	**2020**
	HK$	*HK$*	*HK$*
REVENUE	1,331,401,512	802,911,646	994,784,133
Other operating income	184,102,224	215,063,634	128,867,433
Other gains and losses	(1,348,299,980)	173,220,662	(25,749,263)
Staff costs	(283,430,202)	(297,076,166)	(310,580,216)
Other operating expenses	(307,297,845)	(698,582,244)	(235,588,284)
Finance costs	(559,720,870)	(319,694,945)	(214,981,468)
Impairment losses on financial assets	(28,350,084)	(216,238,708)	(87,508,453)
Share of results of joint ventures and an associate	72,542,127	20,380,737	29,613,356
PROFIT/(LOSS) BEFORE TAXATION	(939,053,118)	(320,015,384)	278,857,238
Income tax expense	(47,395,286)	(847,523)	(11,735,669)
PROFIT/(LOSS) FOR THE YEAR	(986,448,404)	(320,862,907)	267,121,569
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations	(9,340,184)	17,914	(4,224,292)
Realisation of reserve upon disposal/loss of control of subsidiaries	(26,505)	(8,787,252)	—
Debt investments at fair value through other comprehensive income:			
Changes in fair value	(332,483,238)	88,366,396	(72,117,718)
Income tax impact	—	(2,333,000)	2,333,000
Reclassification adjustments for gains/losses included in the consolidated statement of profit or loss			
- Loss on disposals	89,655,416	89,802,068	40,989,756
- Impairment losses	33,692,235	12,484,424	16,963,918
Total comprehensive income for the year	(1,204,950,680)	(141,312,357)	251,066,233
Profit/(loss) for the year attributable to:			
Owners of the Company	(986,825,567)	(320,856,811)	267,135,903
Non-controlling interests	377,163	(6,096)	(14,334)
	(986,448,404)	(320,862,907)	267,121,569
Total comprehensive income attributable to:			
Owners of the Company	(1,205,343,887)	(141,310,546)	251,076,963
Non-controlling interests	393,207	(1,811)	(10,730)
	(1,204,950,680)	(141,312,357)	251,066,233

Consolidated Statement of Financial Position

	As at 31 December		
	2018	2019	2020
	HK$	*HK$*	*HK$*
NON-CURRENT ASSETS			
Property and equipment	33,647,461	37,418,319	32,970,499
Right-of-use assets	—	45,142,671	12,627,002
Intangible assets	430,000	430,000	430,000
Investments in associates	218,959,737	232,168,724	60,990,561
Investments in joint ventures	432,606,069	443,065,109	465,046,134
Financial assets at fair value through profit or loss	1,215,070,735	1,660,540,786	662,656,752
Trade receivables	1,292,220,936	—	—
Deferred tax assets	26,160,891	51,656,000	19,211,000
Deposits	10,461,174	10,461,974	10,461,974
Other assets	23,729,854	24,183,302	53,226,214
	3,253,286,857	2,505,066,885	1,317,620,136
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	4,541,263,681	2,521,257,731	1,015,771,217
Financial assets at fair value through profit or loss	4,803,884,494	2,788,812,531	8,366,738,987
Loan receivable	364,707,373	—	483,921
Other receivables, deposits and prepayments	168,593,935	122,937,082	139,709,775
Trade receivables	7,273,225,986	4,926,019,466	5,749,575,830
Derivative financial assets	19,977,097,066	11,060,346	29,876,008
Amount due from a fellow subsidiary	79,837,228	48,571,599	—
Tax recoverable	3,613,025	3,357,598	39,193,016
Bank balances	4,563,294,109	4,326,310,986	6,211,965,469
	41,775,516,897	14,748,327,339	21,553,314,223
CURRENT LIABILITIES			
Amount due to the ultimate holding company	8,132,317	26,775,479	5,687,061
Loan from the ultimate holding company	550,427,693	539,404,635	—
Amount due to a fellow subsidiary	60,928,935	59,709,159	63,770,722
Derivative financial liabilities	22,467,565,383	1,054,505	1,750,676
Financial liabilities at fair value through profit or loss	123,231,738	81,117,173	—
Trade payables	4,693,371,872	4,825,105,643	8,003,001,248
Contract liabilities	8,382,915	10,911,730	9,818,250
Financial assets sold under repurchase agreements	2,036,451,473	2,348,360,346	2,319,886,201
Debt securities in issue	—	—	987,619,514
Note payable	382,364,140	204,842,810	67,446,750
Bank borrowings	7,765,893,500	684,004,328	3,493,964,926
Accrued charges and other payables	293,484,029	236,197,420	549,827,782
Provision	—	453,877,726	451,768,212
Third-party interests in consolidated investment funds	165,764,042	437,656,048	1,207,167,588
Lease liabilities	—	33,594,405	6,652,531
Tax liabilities	10,424,140	11,255,817	25,327,758
	38,566,422,177	9,953,867,224	17,193,689,219
Net current assets	3,209,094,720	4,794,460,115	4,359,625,004
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	524,457,570	667,198,496	—
Bank borrowings	—	1,181,833,142	—
Third-party interests in consolidated investment funds	560,542,356	175,299,630	205,743,143
Lease liabilities	—	12,201,433	5,697,470
Deferred tax liabilities	53,934,000	80,859,005	32,603,000
	1,138,933,926	2,117,391,706	244,043,613
NET ASSETS	5,323,447,651	5,182,135,294	5,433,201,527
CAPITAL AND RESERVES			
Share capital	5,600,000,000	5,600,000,000	5,600,000,000
Investment revaluation reserve	(176,513,912)	11,805,976	(25,068)
Foreign currency translation reserve	4,437,401	(4,336,222)	(8,564,118)
General reserve	656,981	15,084,062	15,084,062
Accumulated losses	(101,635,368)	(436,919,260)	(169,783,357)
Equity attributable to owners of the Company	5,326,945,102	5,185,634,556	5,436,711,519
Non-controlling interests	(3,497,451)	(3,499,262)	(3,509,992)
TOTAL EQUITY	5,323,447,651	5,182,135,294	5,433,201,527

Consolidated Statement of Cash Flows

	For the year ended 31 December		
	2018	2019	2020
	HK$	*HK$*	*HK$*
OPERATING ACTIVITIES			
Profit/(loss) before taxation	(939,053,118)	(320,015,384)	278,857,238
Adjustments for:			
Depreciation of property and equipment	9,600,065	11,508,265	12,595,878
Depreciation of right-of-use-assets	—	32,349,648	32,448,330
Dividend income	(26,829,400)	(89,110,347)	(38,866,948)
Interest income	(518,892,477)	(307,171,429)	(306,742,251)
Interest expenses	559,720,870	319,694,945	214,981,468
Interest income from debt securities classified as fair value through other comprehensive income	(286,047,621)	(169,399,840)	(77,851,647)
Interest income from debt securities classified as fair value through profit or loss	(235,475,420)	(93,957,500)	(260,350,950)
Interest income from reverse repurchase agreements	—	(43,092,126)	(20,157,053)
Interest income from derivative financial assets	(73,133,035)	(29,335,296)	(30,517,118)
Net unrealised fair value changes of financial assets at fair value through profit or loss	160,832,670	(176,029,209)	(1,090,200,240)
Net unrealised fair value changes of financial liabilities at fair value through profit or loss	94,356,050	141,568,281	(63,317,427)
Net unrealised fair value changes of debt securities in issue	—	—	52,593,327
Net unrealised fair value changes of derivative financial instruments	479,181,616	15,228,778	(6,578,956)
Net unrealised fair value changes of investments in associates at fair value through profit or loss	(151,380,557)	(14,496,143)	170,138,446
Changes in third-party interests in consolidated investment funds	(106,738,807)	51,717,739	1,394,364,063
Impairment losses recognised on trade receivables	7,295,566	204,050,574	77,409,283
Reversal of impairment losses recognised on loan receivable	(14,109,688)	—	(8,966,921)
Impairment losses recognised on other financial assets	35,164,206	12,188,134	19,066,091
(Gain)/loss on disposal of property and equipment	—	81,000	(80,000)
Loss/(gain) on disposal of subsidiaries	(221,920)	(1,889,738)	167,838
Share of results of joint ventures and an associate	(72,542,127)	(20,380,737)	(29,613,356)
Write-off of trade receivables	—	(1,017,762)	—
Write-off of other receivables	—	—	(784,034)
Operating cash flows before movements in working capital	(1,078,273,127)	(477,508,147)	318,595,061
Increase in other assets	4,380,191	(453,345)	(29,146,895)
(Increase)/decrease in financial assets at fair value through profit or loss	4,468,239,502	1,250,029,540	(3,489,842,182)
Decrease in financial liabilities at fair value through profit or loss	(215,846,202)	(23,866,920)	(684,998,242)
(Increase)/decrease in trade receivables	(1,353,122,294)	1,339,864,939	(900,965,647)
Payments on granting of loans receivable	(364,707,373)	—	—
Proceeds from repayments of loan receivable	1,301,816,040	364,707,373	8,483,000
Decrease in other receivables, deposits and prepayments	(20,561,850)	11,443,239	31,335,508
(Increase)/decrease in bank balances - trust accounts	(367,589,873)	120,560,653	(1,092,890,196)
(Increase)/decrease in time deposits with original maturity of more than three months but less than one year when acquired	—	—	(7,481,254)
Decrease in amount due from a fellow subsidiary	(55,866,750)	31,265,629	48,571,599
Decrease in loan to a fellow subsidiary	78,172,000	—	—
(Decrease)/increase in amount due to the ultimate holding company	(39,492)	18,643,162	(21,088,418)
Increase/(decrease) in amount due to a fellow subsidiary	68,961,975	(1,219,776)	4,061,563
(Increase)/decrease in derivative financial assets	(13,147,269,880)	3,830,502,709	(12,236,706)
Increase/(decrease) in derivative financial liabilities	14,900,830,118	(4,468,583,479)	696,171
Increase in trade payables	(3,582,384,445)	488,883,501	3,177,895,605
(Decrease)/increase in contract liabilities	8,382,915	2,528,815	(1,093,480)
Decrease in third-party interests in consolidated investment funds	453,084,268	(77,448,466)	(594,409,010)
Increase/(decrease) in accrued charges and other payables	(56,689,061)	(46,526,972)	318,444,923

	For the year ended 31 December		
	2018	2019	2020
	HK$	*HK$*	*HK$*
Increase in provision	—	453,877,726	—
Cash (used in)/from operations	1,041,516,662	2,816,700,181	(2,926,068,600)
Interest received	385,990,109	292,801,794	306,388,579
Interest received from loans receivable, financial assets at fair value through profit or loss, derivative financial assets and reverse repurchase agreements	404,084,248	193,629,545	246,179,445
Interest paid	(38,968,399)	(11,947,471)	(2,312,979)
Dividend received from financial assets at fair value through profit or loss	26,829,400	89,110,347	38,866,948
Income tax paid	(74,760,265)	—	(47,842,792)
Interest element on lease liabilities	—	(2,408,787)	(1,387,412)
Net cash (used in)/from operating activities	1,744,691,755	3,377,885,609	(2,386,176,811)
INVESTING ACTIVITIES			
Purchases of property and equipment	(20,325,653)	(17,560,646)	(8,117,227)
Purchases of debt securities classified as fair value through other comprehensive income	(4,325,839,417)	(15,663,600)	(15,538,000)
Proceeds from disposal of debt securities classified as fair value through other comprehensive income	3,105,836,343	2,213,838,014	1,489,896,552
Proceeds from return of capital of a joint venture	—	—	2,998,227
Interest received from debt securities classified as fair value through other comprehensive income	267,554,423	199,318,704	96,899,048
Net cash inflow on disposal/loss of control of subsidiaries	6,689,604	232,155,627	—
Payments on acquisition of joint ventures	(156,556,009)	—	—
Net cash from investing activities	(1,122,640,709)	2,612,088,099	1,566,138,600
FINANCING ACTIVITIES			
Distributions to non-controlling interests	(181,224)	—	—
Interest paid	(455,588,615)	(309,411,414)	(216,065,215)
Proceeds from bank borrowings raised	406,021,107,385	178,868,478,329	280,961,691,217
Repayments of bank borrowings	(408,427,305,220)	(184,768,534,359)	(279,333,563,761)
(Repayments of)/proceeds from financial assets sold under repurchase agreements	2,036,451,473	311,908,873	(28,474,145)
Proceeds from issue of debt securities	237,745,940	—	935,175,752
Repayment of note payable	—	(177,521,330)	(137,396,060)
Repayment of loan from the ultimate holding company	—	—	(539,404,635)
Payments of lease liabilities	—	(31,230,180)	(33,312,448)
Net cash from/(used in) financing activities	(587,770,261)	(6,106,310,081)	1,608,650,705
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	34,280,785	(116,336,373)	788,612,494
Cash and cash equivalents at beginning of the year	634,670,079	657,778,322	540,774,191
Effect of exchange rate changes on the balances held in foreign currencies	(11,172,542)	(667,758)	(3,184,076)
Cash and cash equivalents at end of the year	657,778,322	540,774,191	1,326,202,609
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY			
Bank balances - house accounts	657,778,322	540,774,191	936,210,498
Non-pledged time deposits with original maturity of less than three months when acquired	—	—	389,992,111
Bank balances as stated in consolidated statement of cash flows	657,778,322	540,774,191	1,326,202,609
Non-pledged time deposits with original maturity of more than three months but less than one year when acquired	—	—	7,481,254
Total bank balances in house accounts	657,778,322	540,774,191	1,333,683,863

THE OFFERING

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

Issuer	GF Financial Holdings BVI Ltd.
Issuer's Legal Entity Identifier	655600NTG1OU4AB62U93.
Company and Keepwell Provider	GF Holdings (Hong Kong) Corporation Limited.
LC Bank	Nanyang Commercial Bank, Limited.
The Bonds	U.S.$300,000,000 aggregate principal amount of 1.125 per cent. credit enhanced Bonds due 2024.
Issue Price	The Bonds will be issued at 99.859 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered form in specified denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	15 September 2021.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date, at the rate of 1.125 per cent. per annum, payable semi-annually in arrear on 15 March and 15 September of each year (each an "**Interest Payment Date**") in equal instalments of U.S.$5.625 per Calculation Amount (as defined in Condition 5 (*Interest*)) commencing on 15 March 2022.
Maturity Date	15 September 2024.
Standby Letter of Credit	The Bonds will have the benefit of the Standby Letter of Credit issued by the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Bonds. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by the Trustee or an agent of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (a "**Demand**") stating that (i) the Issuer has failed to comply with Condition 3(c) (*Pre-funding*) of the Conditions in relation to pre-funding the amount that is required to be pre-funded under the Bonds and/or has failed to provide the Required Confirmations in accordance with Condition 3(c) (*Pre-funding*); or (ii) an Event of Default has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 (*Events of Default*) of the Conditions.

Only one drawing is permitted under the Standby Letter of Credit. Such drawing will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payments received by the Trustee in respect of a Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in United States dollars and shall not exceed U.S.$302,687,500 being an amount representing (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (as defined in Condition 5 (*Interest*) of the Conditions) and (ii) U.S.$1,000,000 for all fees, costs, indemnity payments, expenses and other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Keepwell Deed, the Agency Agreement and/or any other transaction document relating to the Bonds. The Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 5:00 p.m. (Hong Kong time) on 15 October 2024 unless extended in accordance with its terms.

See "Terms and Conditions of the Bonds — Status, Standby Letter of Credit and Pre-funding" and "Appendix — Form of Irrevocable Standby Letter of Credit".

Pre-funding

In order to provide for the payment of any amount in respect of the Bonds (other than any amount payable under Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling eight Business Days (the "**Pre-funding Date**") prior to the due date for such payment:

(i) unconditionally pay or procure to be paid the Relevant Amount in immediately cleared and available funds into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile or email in pdf format (followed by an original as soon as reasonably practicable thereafter) (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions.

So long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of the Trustee or an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders, the Issuer undertakes that once a Relevant Amount has been paid into the Pre-funding Account in full it shall not withdraw (or cause a withdrawal to be made on its behalf) such Relevant Amount other than in accordance with the Required Confirmations, and the Pre-funding Account Bank shall be entitled to disregard any instruction to effect any such withdrawal from the Issuer (or any person acting on its behalf). The foregoing restrictions shall not apply to amounts deposited into the Prefunding Account in excess of a Relevant Amount, as further described in the Agency Agreement.

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall:

(i) as soon as practicable, and in any event not later than 6:00 p.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, notify the LC Bank and the LC Proceeds Account Bank by facsimile or authenticated SWIFT of the occurrence of the Pre-funding Failure; and

(ii) by no later than 6:00 p.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (x) give notice (the "**Pre-funding Failure Notice**") to the Bondholders of (aa) the Pre-funding Failure and (bb) the redemption of the Bonds in accordance with Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*) to occur as a result of the Pre-funding Failure and (y) issue a Demand to the LC Bank for the aggregate principal amount of all of the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*)) and all fees, costs, expenses, indemnity payments and other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Keepwell Deed, the Agency Agreement and/or any other transaction document relating to the Bonds, *provided that*, subject to and in accordance with the terms of the Standby Letter of Credit, the Trustee need not physically present the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT sent on its behalf (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit).

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

Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Events of Default	The Bonds will contain certain events of default as further described in Condition 9 (*Events of Default*) of the Conditions.

Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or any other relevant jurisdiction or any political subdivision 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 (except in certain circumstances set out in Condition 8 (*Taxation*) of the Conditions) such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required. See "*Terms and Conditions of the Bonds — Taxation*".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount, together with any interest accrued to (but not including) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to giving such notice that: (i) the Issuer has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC, the British Virgin Islands, Hong Kong or any other relevant jurisdiction or, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, as further described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*".
Redemption for Change of Control	At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at their principal amount together with accrued interest up to (but excluding) the Put Settlement Date.

	A "**Change of Control**" means the occurrence of one or more of the following events: (i) GF Securities Co., Ltd. ceases to, directly or indirectly, hold or own at least 51 per cent. of the issued share capital of the Company; or (ii) the Company ceases to hold or own, directly or indirectly, 100 per cent. of the issued share capital of the Issuer; or (iii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person or Persons except where such Person(s) is/are directly or indirectly at least 51 per cent. held or owned by GF Securities Co., Ltd. a "**Person**" includes any company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity)
Mandatory Redemption upon Pre-Funding Failure	If a Pre-funding Failure occurs in respect of a scheduled payment of principal or interest payable under Condition 5 (*Interest*) or Condition 6(a) (*Final Redemption*), the Bonds shall be redeemed in whole, but not in part, on the next Interest Payment Date falling after the date a Pre-funding Failure Notice is given to Bondholders in accordance with Condition 3(c) (*Pre-funding*) (the "**Mandatory Redemption Date**") at their principal amount, together with interest accrued to, but excluding, the Mandatory Redemption Date. If any Bondholder shall have exercised its right to require the Issuer to redeem its Bonds in accordance with Condition 6(c) (*Redemption for Change of Control*) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 3(c) (*Pre-funding*) as a result of a Pre-funding Failure relating to the amount payable by the Issuer pursuant to such redemption, the Issuer shall redeem all outstanding Bonds in whole, but not in part, at their principal amount on the Put Settlement Date, together with interest accrued to, but excluding, the Put Settlement Date.
Further Issues	The Issuer is at liberty from time to time, without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the dates for completing the NDRC Post-issuer Filing and making the related notifications) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in "*Terms and Conditions of the Bonds — Further Issues*".
Trustee	CMB Wing Lung (Trustee) Limited.

Registrar, Principal Paying Agent and Transfer Agent	CMB Wing Lung Bank Limited.
LC Proceeds Account Bank and Pre-funding Account Bank	CMB Wing Lung Bank Limited.
Clearing Systems	The Bonds will be evidenced initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 237959817 and International Securities Identification Number XS2379598175.
Notices and Payment	So long as the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, 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.
Ratings	The Bonds are expected to be assigned a rating of "A2" by Moody's.
Governing Law	English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Keepwell Deed, the Agency Agreement, the Trust Deed, or the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Keepwell Deed, the Agency Agreement, the Trust Deed or the Standby Letter of Credit shall be brought in such courts.
Use of Proceeds	See "*Use of Proceeds*".

Listing	Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. It is expected that dealing in, and listing of, the Bonds on the SGX-ST will commence on 16 September 2021.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*".

A SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with "Terms and Conditions of the Bonds", the Trust Deed and the Agency Agreement referred to therein and "Appendix — Form of Irrevocable Standby Letter of Credit". Words and expressions defined in the "Terms and Conditions of the Bonds" shall have the same meaning in this summary.

T-8 Business Days: Pre-funding Date

- Issuer to unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account
- Issuer to deliver to the Trustee and the Principal Paying Agent the Required Confirmations[(1)]

T-7 Business Days

By 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-finding Date, if the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, the Trustee shall as soon as practicable, and **no later than 6:00 p.m. (Hong Kong time)** on the Business Day immediately following the Pre-funding Date, notify the LC Bank and the LC Proceeds Account Bank by facsimile or authenticated SWIFT of the occurrence of the Pre-funding Failure

- If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, the Trustee shall **by no later than 6:00 p.m. (Hong Kong time)** on the Business Day immediately following the Pre-funding Date (x) give a Pre-funding Failure Notice to the Bondholders and (y) issue a Demand to the LC Bank for the aggregate principal amount of all the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date and all fees, costs, expenses, indemnity payments and other amounts payable by the Issuer[(2)]

T-7 Business Days

T-3 Business Days: Standby Letter of Credit Transfer Date

By 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt by the LC Bank of such Demand, the LC Bank pays to or to the order of the Trustee the amount specified in the Demand to the LC Proceeds Account if the LC Bank has received such Demand before or by **6:00 p.m. (Hong Kong time)** on the Business Day immediately following the Pre-funding Date)

- In the event the Relevant Amount has been paid into the Pre-funding Account in full and the Trustee receives the Required Confirmations by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by **10:00 a.m. (Hong Kong time)**

OR

- **By 10:00 a.m. (Hong Kong time)**, the LC Proceeds Account Bank to pay to the Principal Paying Agent the proceeds of the Demand

T-2 Business Days

By **10:00 a.m. (Hong Kong time)** on the fifth Business Day immediately following receipt by the LC Bank of such Demand, the LC Bank pays to or to the order of the Trustee the amount specified in the Demand to the LC Proceeds Account if the LC Bank has received such Demand after **6:00 p.m. (Hong Kong time)** on the Business Day immediately following the Pre-funding Date (T-7 Business Days)

T-1 Business Day Payment to Principal Paying Agent

- Principal Paying Agent to pay funds into Euroclear/ Clearstream for same day value on T for the benefit of the Bondholders
- If amounts have been drawn under the Standby Letter of Credit, the Bonds will be mandatorily prepaid at their principal amount, together with interest accrued to, but excluding, the Mandatory Redemption Date

T Bond Payment Date

Notes:

(1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer, and (b) an irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.

(2) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT sent on its behalf.

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Prior to making any investment decision, investors should carefully consider all of the information contained in this Offering Circular and in particular, the risks and uncertainties described below. Investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

The following describes some of the significant risks that could affect the Group and the value of the Bonds. Some risks may be unknown to the Group and other risks, currently believed to be immaterial, could be material. All of these may materially and adversely affect the Group's business, financial condition, results of operations and prospects. The market price of the Bonds could decline due to any of these risks and investors may lose all or part of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESS

Risks relating to the macroeconomy and industry

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

The Group's businesses, namely, brokerage and wealth management, investment banking, investment management, trading and institution business and others, are highly dependent on economic and market conditions in China. In addition, global market conditions may adversely affect market conditions in China. Volatility in the financial markets in the United States, Canada, Europe, Japan and other jurisdictions in recent years has had a corresponding effect on Asian financial markets and may continue to do so in the future.

Although the Group's operations are based primarily in Hong Kong, its trading platform covers various international financial markets including the PRC, the United States, the United Kingdom, Japan, Australia, Singapore, Canada, South Korea, France, Germany, Switzerland and Sweden. Unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, including the European sovereign debt crisis, the withdrawal of the United Kingdom from the European Union (the "**Brexit**") and uncertainties surrounding the terms of the withdrawal, China-U.S. trade friction and the escalation of bilateral tariffs on imports imposed by both countries, and the recent outbreak of COVID-19 may adversely affect investor confidence. Weakening investor confidence has resulted and could continue to result in significant declines in the number and size of transactions in which the Group provides underwriting and financial advisory services. Any decline in the number of corporate financing transactions in Hong Kong due to unfavourable financial or economic conditions would adversely affect the Group's businesses. Any further tightening of liquidity in the financial markets may also negatively affect the Group's access to capital and liquidity.

In addition, market volatility and adverse financial or economic conditions may adversely affect the Group's brokerage and wealth management business. These conditions tend to reduce the value of the Group's clients' portfolios, discourage investor confidence and reduce investing activities, making it more difficult for the Group to maintain existing clients and attract new clients. These conditions in turn may adversely affect the Group's brokerage revenue and may increase the risk of default in the margin loan financing the Group provides to its clients.

The Group has historically experienced negative operating cash flows and any decrease in the Group's liquidity could materially and adversely affect its liquidity and financial condition

The Group has historically experienced negative net operating cash flows and may continue to experience significant fluctuations or negative changes in its operating cash flows. For the year ended 31 December 2020, the Group recorded negative net operating cash flow of HK$2,386.2 million, largely attributable to additional investment in bonds and margin loans in accordance with its business expansion. Although the Group has gradually improved its operating cash flow through better planning of the operating cash flow budget and structuring of its investment portfolios, there can be no assurance that such trend will continue in the future.

In addition, certain subsidiaries of the Group invest in private equities in the ordinary course of their business. Some of the funding comes from intra-group shareholders' loans. When the market is volatile, the value of these investments may be negatively impacted, causing these subsidiaries to be in a negative net asset position at certain points in time. Although the Group endeavours to provide liquidity support for these subsidiaries' normal business operations, there is no assurance that this support may be readily given or sufficient to cover all short positions. Any failure to provide sufficient support may have material adverse effect on the Group's or these subsidiaries' normal operations, liquidity and financial condition.

As the Group progresses with its business plans and develop its business lines, the Group has made and will continue to make investments in various business projects. Such investments may not be realised in the short term due to the nature of the relevant business, and this may lead to significant fluctuation or negative change in the Group's cash flow, which will in return have a material adverse effect on its normal operations, liquidity and financial condition.

The Group incurred losses for the years ended 31 December 2018 and 2019 and may suffer further losses in the future

The Group has historically incurred losses. For the years ended 31 December 2018 and 2019, the Group incurred losses of HK$939.1 million and HK$320.0 million respectively, mainly as a result of losses attributable to fund investments and impairments of loans to clients. Although the Group recorded positive profits for the year ended 31 December 2020, there can be no assurance that such trend will continue in the future. As the Group's business is subject to fluctuations in securities markets and the global economic as well as socio-political environments, any unfavourable movements in securities markets or the occurrence of any economic, political or social event may adversely affect the Group's financial performance.

The level of indebtedness of the Group may adversely affect its business and limit its growth

The Group maintains a significant level of indebtedness to finance its operation. As at 31 December 2020, the Group's total debt (consisting of short-term borrowings, borrowings due within one year and notes payable due within one year) was HK$8,386.8 million. Please see "*Capitalisation and Indebtedness*" for more details. The Group has incurred and is likely to incur in the future a significant amount of interest expense in relation to its bank and other borrowings, the Bonds and other financing arrangements. The significant level of indebtedness may increase the Group's vulnerability to adverse general economic and market conditions. In addition, as the Group may need to dedicate a substantial portion of its cash flow from operations to repaying its indebtedness, the availability of the Group's cash flow for its working capital and other general corporate purposes may be reduced and the Group may have limited flexibility in planning for and reacting to changes in economic or market conditions. If the Group continues to maintain a significant level of indebtedness, its ability to borrow additional funds needed for working capital, strategic investment or other purposes will be limited and the cost of additional financing will increase, thereby adversely affect the Group's business operations and limiting its future growth.

The Group's historical financial results may not be indicative of its future performance

The Group's historical financial information included in this Offering Circular is not indicative of its future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods and must be considered in light of the impact of material changes in the periods covered in the financial statements that are included in this Offering Circular. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in the economic environment, PRC or Hong Kong rules and regulations and the domestic and international competitive landscape of the businesses in which the Group operates.

Fluctuations in securities markets could affect the Group's financial assets

Fluctuations in securities markets could affect the Group's investments and financial assets. Poor market conditions could affect the value of its financial assets while favourable market conditions may not be sustainable. Lack of liquidity or price volatility could reduce the value of the financial assets that the Group invests in or manages which, in turn, may have a material adverse effect on its business, growth prospects, net inflows of asset under management, fee income, results of operations and/or financial condition.

Fluctuations in stock markets could affect the Group's investments and financial assets and the level of client interest in certain of its products and services. There has also been significant volatility in PRC stock markets and the Hong Kong stock market in the past. In early 2020, due to the COVID-19 pandemic, the PRC stock market experienced significant drop. Although it has since recovered, the PRC stock market remains volatile. Hong Kong's financial market is subject to the direct influence of global economic and socio-political environments. Fluctuations in the global corporate finance environment and capital raising activity levels may have adverse effects on the performance of the Group. Severe fluctuations or shifts in market and economic sentiments may adversely affect the Group's business and financial results. Any further significant falls or increased volatility and instability may further impact global capital markets, potentially making it more difficult for the Group to access financing or impacting the Group's clients' interest in products and services, as well as their businesses generally. The market volatility may also negatively affect PRC consumer confidence and have an adverse impact on the China's economies and its securities markets. As a result, the value of the Group's financial assets may decrease substantially and as a result the Group may suffer significant losses.

The Group operates in the highly competitive financial services industry

The financial services industry in Hong Kong includes a large number of participants and is highly competitive. New participants may enter into the industry if they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits to engage in the various types of activities regulated under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**").

The Group competes on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of staff and employee compensation. Apart from the multinational financial institutions including commercial banks and investment banks with global networks and a local presence in Hong Kong, the Group faces further competition from other financial services firms with similar target clients and offering a similar range of products and services including traditional and online brokerage services, asset management, corporate finance, fixed income and wealth management businesses.

Historically, competition in the traditional brokerage business has been fierce. Over the past decade, online securities brokerage and financial information portals have become prevalent, intensifying competition for online business revenues. In recent years, as the brokerage market in Hong Kong had become more saturated, banks and brokerage firms rolled out prolonged commission-free concessions or extra-low fixed commissions as incentives to attract customers, thus further intensifying the competition in this sector. The Group expects that competition in securities brokerage, one of the Group's core business operations, will continue to be intense. Moreover, the Group may not be able to compete effectively and successfully in all the business areas in which it currently operates or plans to operate. Increased competitive pressure may adversely affect the Group's business, financial position, results of operations and prospects by, amongst other things:

- Reducing the Group's market share in its principal lines of businesses;
- Decreasing the Group's net interest margins and spreads;
- Decreasing the Group's fee and commission income;
- Increasing non-interest expenses, such as sales and marketing expenses; and
- Increasing competition for qualified employees.

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

The Group's businesses are highly regulated and are subject to unforeseeable changes in laws and regulations

As a participant in the financial services industry, the Group is subject to extensive laws, regulations and codes of relevant regulatory authorities and faces the risk of significant intervention by regulatory authorities in Hong Kong and other jurisdictions in which it operates, such as the PRC, Canada or Singapore. Key regulations in Hong Kong governing the financial services industry include the SFO, the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong) and The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). In addition, the Group's provision of China B shares trading services is subject to the applicable PRC laws and regulations. Any failure to comply with these laws, rules and regulations may lead to enquiries and/or investigations by relevant regulatory bodies which may result in fines, censure, reprimand, restrictions on business activities or even suspension of licences. Where penalties are substantial or there is protracted litigation, the Group's reputation and financial position may be jeopardised. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

New laws or regulations or changes in enforcement of existing laws or regulations applicable to the Group's businesses or those of its clients could be imposed on a limited subset of financial institutions (either based on size, activity, geography or other criteria), which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way. In addition, the Group views the PRC as one of its most important markets to support its future growth. Any amendment of existing laws or regulations in the PRC related to equity or debt offerings or any introduction of new laws or regulations in the PRC related to equity or debt offerings may limit the ability of the Group's existing or potential clients to raise funds through equity or debt offerings. In addition, such change of existing laws or regulations or introduction of new laws or regulations related to equity or debt offerings may materially affect the business performance of those companies to which such amended or new laws and regulations are applicable, causing the securities markets to fluctuate. As a result, there may be a material and adverse impact on the Group's business, financial condition, results of operations and prospects.

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

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

Interest rate fluctuations may adversely affect the Group's businesses

The Group's business performance is affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, although a decrease in interest rates decreases the Group's costs of capital, it may also limit the Group's interest income from its margin financing and leveraged and acquisition finance business and thus adversely affect the Group's business and financial results.

Interest rates volatility may also affect stock market performance and general market sentiment, hence causing indirect adverse impact on the Group's business performance.

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

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

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

The Group derives the funding it requires for its business principally from cash flow from operations and borrowings from banks and other lenders and from accessing the capital markets. The ability of the Group to access debt funding sources on acceptable commercial terms over the longer-term is dependent on a variety of factors, including a number of factors outside of its control, such as general market conditions and confidence in the global banking system. In 2020, global credit markets tightened suddenly due to the significant impact on financial markets of the COVID-19 pandemic. Financial institutions are generally more cautious in lending funds to companies, and as a result, companies may face increased financing costs as they may only be able to procure funds from financial institutions with increased interest rates applied to their funds. While the Group is currently able to procure sufficient funds for its operations, there can be no assurance that the Group's existing major lenders will not change their lending policies, increase its funding costs or adopt a more cautious credit stance as a result of the overall economic climate, or any other factors that may limit the Group's ability to obtain credit on favourable terms or at all. If the Group's available funding is limited or it is forced to fund its operations at a higher cost, these conditions may require the Group to curtail its business activities and increase its cost of funding, both of which could reduce its profitability.

The Group's operations will be materially and adversely affected if it fails to obtain or maintain or renew licences and permits necessary for its business operations

The Group is required to maintain certain licences and permits to maintain its business operations. The Group, through its subsidiaries in Hong Kong, is currently engaged in Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities. In addition, GF Wealth Management (Hong Kong) Limited ("**GF Wealth Management**"), a wholly-owned subsidiary of the Group, has obtained an insurance intermediary licence to carry out insurance intermediary business in accordance with the Insurance Ordinance. GF Wealth Management is regulated by the Insurance Authority ("**IA**"), a regulatory body set up under the relevant laws. In order to maintain or renew such licences and permits, the Group will need to meet certain requirements specified by the SFO, the Insurance Ordinance and other applicable laws, rules and regulations. In addition, with the evolvement of applicable laws rules and regulations, the Group may need to obtain new licences and permits to continue its existing business lines or to develop new business lines. If the Group fails to satisfy any regulatory requirement and is not able to renew or maintain any of the necessary licences and permits, the Group's ability to carry on businesses will be limited. As a result, there may be material and adverse effect on the Group's business operations, financial condition, results of operation and prospect.

Risks relating to each business line of the Group

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

Revenue from brokerage and wealth management business is primarily derived from the commissions the Group charges its clients for their trading activities. Accordingly, revenue from the Group's brokerage and wealth management business depends significantly on trading volume, which in turn is influenced by market conditions in China. For the years ended 31 December 2018, and 2019 and 2020, revenue from the Group's brokerage and wealth management business accounted for 37.2 per cent., 44.0 per cent. and 50.7 per cent. of revenue, respectively.

In addition, the Group's brokerage and wealth management business could also be adversely affected by a reduction in brokerage commission rates because of increased competition in the Hong Kong brokerage markets.

The Group faces risks associated with the underwriting of securities offerings

The Group is exposed to transaction-specific execution risks for each securities offering it sponsors or underwrites. The Group's ability to receive payment of sponsor fees or underwriting commissions depends on the successful completion of each transaction. For the years ended 31 December 2018, 2019 and 2020, revenue from the Group's underwriting fee and commission for securities accounted for 2.5 per cent., 7.6 per cent. and 3.4 per cent. of revenue, respectively. If a project where the Group acted as a sponsor is not completed as scheduled or at all for any reason, including weak investor interest or a failure to receive listing approval, the Group may not receive payment for its services in a timely manner, or at all, which may materially and adversely affect its business, financial condition, results of operations and prospects.

The Group has investment risk on securities it underwrites on a firm commitment basis and may suffer additional losses as a member of the underwriting syndicate if an offering is not fully subscribed. The performance of the underwriting activities may severely deteriorate during periods of sluggish and volatile market conditions. If the Group fails to sell the securities it underwrites, it would suffer reputational damage, as well as incur expenditure to purchase and hold the underwritten securities, thereby materially and adversely affecting its business, financial condition, results of operations and prospects. Further, the Group has litigation, reputation and other risks from the securities offerings in which it participates, even after the completion of the offerings, if controversies, disputes and claims arise from the offerings.

In addition, companies that wish to list their securities in Hong Kong require an investment bank to act as sponsor to assist with their listing application. When the Group acts as a sponsor, it is required to fulfil certain due diligence and disclosure requirements in connection with each project it sponsors. There are certain stringent regulatory requirements for Initial Public Offering ("**IPO**") sponsors in Hong Kong. A failure to satisfy these requirements could subject the Group to fines and other administrative or regulatory penalties, including suspension of its licences, or even criminal liability, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's revenue may be adversely affected by reductions in its assets under management caused by market declines

The group earns management fees through its asset management services. Investment performance affects the amount of the assets under the Group's management and is one of the most important factors in retaining clients and competing for new asset management business. For the years ended 31 December 2018, 2019 and 2020, revenues generated from the Group's investment management business accounted for 1.5 per cent., 1.7 per cent. and 0.8 per cent., respectively, of the Group's revenue. Poor investment performance could adversely affect the Group's revenue and business growth because:

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

- clients may require the Group to reduce its fees for asset management services, particularly in an intensely competitive industry; and

- the Group's incentive fees (if any), which are based on a percentage of investment returns, would decline.

There can be no assurance that the Group would be able to keep or increase the assets under the Group's management. To the extent the Group may fail to keep or increase the assets under its management due to increasing competition from insurance companies, trust companies, banks and other competitors, its business, financial condition, results of operations and prospects would be adversely affected.

The Group may incur substantial losses in connection with its trading and institution business

The Group is making investments in bond markets and stock markets, including pre-IPO investments in its trading and institution business. For the years ended 31 December 2018, 2019 and 2020, interest income generated from the Group's trading and institution business accounted for 44.7 per cent., 41.8

per cent. and 39.1 per cent. of its revenue, respectively. As each type of product traded by the Group presents a different risk and return profile, it is exposed to risks that are specific to each investment product, and the Group could incur substantial losses from its investments. For example, the bonds invested may default and the price of stocks invested may significantly decline.

In addition, as the performance of investment portfolios managed by the Group depends on various factor such as investment options, strategies, market volatilities and the general economic condition, many of which are beyond the Group's control, There can be no assurance that those portfolio investment companies will continue to perform to the satisfaction of the investors. Any mistake or unwise decision made by the management of the investment portfolios, or any deterioration in the general economic condition may result in poor performance of those investment portfolios. If the investment portfolios have not performed as expected, the Group is likely to face difficulties raising additional funds, or to accept less favourable terms such as fewer management fees in order to raise funds. As a result, the Group may suffer further losses.

The Group may be subject to claims of mis-selling

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

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

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

The Group also provides loan facilities to clients backed by collateral (including shares of listed companies, bonds or other assets) provided by the clients through the global market and other business teams. The Group may incur substantial loss if clients fail to repay the loan and/or the collateral provided by clients sustains a loss in value or cannot be liquidated in due course. Each such financing transaction is subject to the Group's review and approval and each such transaction is monitored by the Group's risk management team. However, the existing risk control measures may not fully prevent a client's default in repayment or its failure to provide additional collateral in the case of a loss in value especially during times of volatility.

Risks relating to the management of the Group

The Group's business is subject to concentration risks due to significant holdings of financial assets or significant commitments of capital

In the course of the Group's business, the Group often commits substantial amounts of capital to certain types of businesses or asset classes, including the Group's brokerage and wealth management business, investment banking business, investment management, trading and institution business and others. This commitment of capital exposes the Group to concentration risks, including market risk, in the case of the Group's holdings of concentrated or illiquid positions in a particular asset class, and credit risk. Any decline in the value of such assets may reduce the Group's revenues or result in losses. The Group's failure to identify and disclose the risks inherent in the financial products it distributes may have an adverse effect on the Group's reputation, client relationships, business, financial results and prospects.

In addition to the Group's own financial products, the Group also distributes financial products developed by third-party financial institutions. These financial products, such as mutual funds, trust schemes, insurance and structured notes, may have complex structures and involve various risks, including credit, interest, liquidity and other risks. The Group's risk management policies and procedures may not be fully effective in identifying the risks inherent in these financial products, and the Group's sales employees may fail to fully disclose such risks to the Group's customers. These factors may cause the Group's clients to suffer significant losses as a result of their investment in financial products that are too risky for their risk tolerance and investment preferences. This may subject the Group to regulatory measures and fines, client complaints and litigations, which in turn could harm the Group's reputation, client relationships, business and prospects.

The expansion of the Group's product and service offering exposes the Group to various risks, and the Group may misjudge the implementation of a new product group or customer acquisition channel, of a new pricing or credit assessment method or analytical tools and data

As the Group continually expands its business and adjusts its business strategies in the changing market, it may seek to introduce new product or service groups, pricing and credit assessment analysis methods and uses of data in order to retain existing customers whose needs have evolved, and to attract new customers for whom the existing product offering or methods of acquisition are unattractive or ineffective and/or for whom more competitive pricing and more sophisticated underwriting processes are required. Expansion of and changes to the product range exposes the Group to a number of risks and challenges, including the following:

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

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

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

- the Group may face greater risk of potential compliance issues such as mis-selling when dealing with less sophisticated counterparties and investors;

- the Group may need to hire additional qualified personnel who may not be available; and

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

The Group is also subject to substantial risks in the Group's margin financing business, if borrowers of margin loans default on payments or the value of the collateral for the loans is insufficient to cover the margin loan amount. Please see "*Risks relating to the macroeconomy and industry - The Group's businesses are vulnerable to stock price volatility and illiquidity of securities and the Group may incur substantial loss*" for more details.

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

In addition, competition for highly skilled business, technical and other personnel is fierce due to the increasing competition in the financial services industry. Accordingly, the Group's personnel expenses may increase or the Group may have difficulty in recruiting and retaining properly qualified personnel. There can be no assurance that the Group will be able to achieve the administrative, systems and logistical improvements necessary to achieve its goals and other aspects of its growth effectively.

The Group's business is subject to the risks associated with international expansion

The Group plans to continue to expand its Hong Kong operations and explore entry into other international markets in the future. In 2014, GF Securities (Canada) Co. Ltd. was established, marking GF Securities' expansion into the North America market, and making the Group the first broker from China to establish offices in Canada. In expanding its business internationally, the Group intends to enter into markets in which it has limited or no experience. The Group may not be able to attract a sufficient number of clients due to its limited presence in these markets. Furthermore, the Group may fail to anticipate competitive conditions in new markets that are different from those in its existing markets. These competitive conditions may make it difficult or impossible for the Group to effectively operate in these markets. In addition, such expansion may increasingly subject the Group to the risks inherent in conducting business internationally, including but not limited to:

- economic instability and recessions;
- approval or licence requirements;
- compliance with foreign laws and other regulatory requirements;
- potential adverse tax consequences;
- political instability;
- change in tariffs;
- difficulties in administering foreign operations generally;
- limited protection for intellectual property rights;
- increased risk of exposure to terrorist activities;
- foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- difficulties in recruiting and retaining qualified personnel.

In particular, despite its efforts to comply with all applicable regulations in all the jurisdictions in which the Group operates or plan to operate, there may be instances in which the Group fails to comply with the regulations in certain jurisdictions. Overseas regulators may bring administrative or judicial proceedings against the Group or its employees, representatives, agents and third party service providers. If the Group is unable to manage the risks resulting from its expansion outside the PRC, its business, financial condition, results of operations and prospects may be adversely affected.

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

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

The Group endeavours to provide its employees with competitive compensation and benefits. However, it may not be successful in hiring or retaining key personnel. Failure to obtain or retain the services of key personnel may disrupt the Group's business and growth, which may materially and adversely affect the performance of the Group's products, its ability to develop new products and the attractiveness of its services to potential and current customers.

There may be an adverse impact on the Group's business as a result of a loss of business reputation or negative publicity

The Group operates in an industry where integrity and the trust of clients are of utmost importance. This makes the Group vulnerable to negative publicity and market perceptions that may be difficult or impossible for it to control. The Group's reputation and brand are accordingly vital to the success of its business. If its reputation or brand is damaged, the Group could lose existing customers and find it difficult to cultivate new business. Reports of investigations, claims, enforcement actions, fines or other sanctions against the Group, or reports of mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

In August 2019, GF Securities received an administrative censure from the China Securities Regulatory Commission (the "**CSRC**") consisting of (i) restriction from increasing the business volume of over-the-counter derivatives trading for six months; and (ii) restriction from adding new business types for six months. This penalty was primarily due to GF Securities' failure to comply with, *inter alia*, relevant requirements from the CSRC of supervision measures on securities companies. If there is any similar incident in the future, the Group may experience material adverse effects to its brand. Failure to maintain its brand or reputation may diminish its competitiveness in the industry.

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

The Group has established risk management and internal control systems and procedures. Certain areas within its risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its senior management and staff. The Group's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are ineffective or inadequate.

Deficiencies in the Group's risk management and internal control systems and procedures may adversely affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact its ability to identify any reporting errors and non-compliance with rules and regulations. The performance of the Group's businesses depends heavily on its ability to process transactions efficiently and accurately. The Group's ability to develop business systems, monitor and manage collections, maintain financial and operating controls, settlement, monitor and manage its risk exposures across the Group, keep accurate records, provide high-quality customer service and develop and sell profitable products and services in the future depends on the success of its business continuity planning, the uninterrupted and efficient operation of its information and communications systems (including its information technology system) and the successful development and implementation of new systems. However, in common with information technology systems generally, losses can result from inadequate or failed internal control processes and protection systems, human error, fraud or external events that interrupt normal business operations. This may result in a loss of data, a failure to provide quality service to customers and could in limited instances cause incorrect trades to be executed. The Group's information technology, databases and other systems may be subject to damage or interruption from earthquakes, volcanic eruptions, floods, fires, power loss, telecommunication failures and similar events as well as to damage from the introduction to its systems of incorrect programming language and configuration by its employees, system providers and contractors.

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

The Group's business might be affected by operational failures of its employees

The Group faces the risk of operational failures of its employees, which mainly includes unintended mistakes or errors that take place in the course of the day-to-day operation of businesses of brokerage and wealth management, investment banking, investment management, trading and institution business and others. Although the Group has implemented internal control measures including strengthened transaction review and enhanced standard operation training to minimise the risk of employee operational failures, the Group may not be able to completely avoid the occurrence of or timely detect any operational failure. Any future operational failure of employees or any termination of employment relationship in relation to operational failure could adversely affect the Group's business and reputation, as well as the Group's ability to execute transactions, service the Group's clients and manage the Group's exposure to various risks.

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

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

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

As the Group continues to expand its business scope and client base, it is critical for the Group to be able to properly identify and address potential conflicts of interest, including situations where two or more interests within the Group's business legitimately exist but are in competition or conflict. Appropriately identifying and dealing with potential conflicts of interest is difficult. Any failure to manage conflicts of interest could harm the Group's reputation and erode client confidence in the Group. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory measures. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

Cyber-attacks and security breaches may threaten the integrity of Group's intellectual property and other sensitive information and disrupt its business operations, which could adversely affect its reputation, business and financial position

The Group faces global cybersecurity threats, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at the Group. Cyber-attacks and security breaches may include, but are not limited to, unauthorised attempts to access information, electronic break-ins, computer viruses, ransomware, sabotage, vandalism, denial of service and other electronic security breaches. The same is true of third-party service providers and software providers on which the Group depend. Cyber-attacks and security breaches may cause loss of information and limited access to systems, theft of sensitive data, including confidential personal information related to the Group's clients, technical and marketing information, disruptions to operations and breakdown of internal control system. The economic costs to the Group to eliminate or alleviate cyber-attacks and security breaches could be significant and may be difficult to estimate or calculate because the loss may differ based on the identity and motive of the programmer or hacker, which are often difficult to identify. Further, the perpetrators of cyber-attacks and security breaches are not restricted to specific groups or persons. These attacks may be committed by company employees or external actors operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states. In addition, new and amended PRC regulatory requirements regarding network security and information protection have been adopted in recent years to further strengthen the regulation in those areas, which may require the Group to devote significant resources to establishing and maintaining compliance with such new or amended legislation or regulations.

Although the Group has, in the Group's opinion, an adequate system in place to manage its cybersecurity, there is no guarantee that the Group will not experience any cybersecurity accidents. Due to the evolving nature of cybersecurity threats, the scope and impact of any future incident cannot be predicted. While the Group devotes significant resources to security measures to safeguard its systems and mitigate potential risks, such as deploying network protection devices and performing regular security assessment, there is no assurance that such actions will be sufficient to prevent cyber-attacks or security breaches that manipulate or improperly use the Group's systems or networks or the systems or networks of third parties that the Group depends on, compromise confidential or otherwise protected information, destroy or corrupt data, or otherwise disrupt the Group's operations. The occurrence of such events could negatively impact the Group reputation, damage the Group's relationship with its clients, and its competitive position and could result in litigation with third parties, regulatory action, loss of business, potential liability and increased remediation costs, any of which could have an adverse effect on the Group's financial condition and results of operations.

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

The Group may not be able to identify money laundering activities or other illegal/improper activities fully or in a timely manner, which could expose the Group to criminal or regulatory penalties and adversely affect its operations.

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

The Group's clients and counterparties may be unable to perform their obligations as a result of deterioration in their credit quality or defaults

The Group extends credit to clients through margin financing or other arrangements that are secured by financial collateral or other collateral, the value of which may at times be insufficient to cover fully the loan repayment amount. The Group may suffer significant losses from its credit exposure to its clients and counterparties, should they fail to repay the credit or the Group fails to recover from the collaterals provided.

The Group's brokerage and wealth management business is subject to the risk that a client or counterparty may fail to perform its payment or other obligations or that the value of any collateral held by the Group to secure the obligations might become inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect the Group's financial condition, results of operations and cash flows.

As a result, the Group is exposed to the risks that third parties may default on their obligations because of bankruptcy, lack of liquidity, operational failures or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the Group. The Group is also subject to the risk that its rights against third parties may not be enforceable in all circumstances. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject the Group to claims for the improper exercise of its rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

Although the Group regularly reviews its credit exposure to specific clients and counterparties and to specific industries that the Group believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee. The Group may also fail to receive full information with respect to the trading risks of counterparties.

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

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its transactions. Any operational failure or termination of the services of the particular financial intermediaries or third-party vendors that the Group uses could adversely affect the Group's ability to execute transactions, service its clients and manage the Group's exposure to various risks, and thereby adversely affect the Group's business and reputation. In addition, as the Group's interconnectivity with its customers grows, its business also relies heavily on its customers' use of their own systems, such as personal computers, mobile devices and the Internet, and the Group will increasingly face the risk of operational failure in connection with its customers' systems.

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

As the Group's online trading platform and financial information portal may involve the displaying of or hyperlinking to information from other websites, there is a risk that claims may be made against the Group for defamation, negligence, copyright or trademark infringement or other claims related to the nature and content of such materials. The Group has published disclaimers in prominent areas to discharge its liability arising from content provided by third parties. However, legal action may still be taken against the Group in respect of any such liability. Any imposition of liability could have a material and adverse effect on the Group's business, financial condition and results of operations.

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

The Group is exposed to litigation risk relating to the operations of its businesses on an ongoing basis. The Group may also be subject to dispute with its current or former employees, third party suppliers, contractors, customers during its ordinary course of business. While the outcome of any pending or future litigation cannot be foreseen given the inherent unpredictability of litigation, it is possible that charges associated with claims brought against the Group and write-downs associated with claims brought by the Group could have a material adverse impact on its business, financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against the Group may harm its reputation and damage its prospects for future contract or business awards.

See also "*Description of the Group — Legal Proceedings*" for some of the on-going and potential litigations in relation to the Group.

Actions brought against the Group may result in settlements, awards, injunctions, fines, penalties and other results adverse to the Group. Predicting the outcome of such matters is sometimes difficult, particularly when claimants seek substantial or unspecified damages or when investigations or legal proceedings are at an early stage. As there is no visibility on the duration of litigations or legal proceedings, the Group may also incur significant expenses resulting from paying legal costs associated with the litigations or disputes. While the Group does not expect the on-going litigations to have a material impact on the Group, there can be no assurance that the Group will not face litigations or dispute in the future which could have a material impact on the Group's business, financial condition, results of operation and prospects.

The Group may incur losses as a result of unforeseen or catastrophic events

The Group, its vendors and its customers may experience shutdowns of their respective operations as a result of severe communicable diseases, such as avian influenza (bird flu), H7N9 flu, MERS, the Zika Virus and COVID-19, which may have an adverse effect on the Group's business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Group's business. In particular, the on-going COVID-19 outbreak on a global scale has resulted in increased travel restrictions and extended shutdown of some businesses, which may result in adverse impact on the Group's businesses. The occurrence of such diseases, unforeseen violence resulting from protests, strikes or demonstrations or any other unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions or lead to operational difficulties (including travel limitations) that could impair the Group's ability to manage its businesses and expose its business activities to significant losses. Our businesses include wealth management, corporate finance, asset management, institutional clients and investment, our financial performance highly correlates with the performance of the financial markets. Since the outbreak of COVID-19, prices of equity and debt securities, including equity and/or debt securities that the Group has invested in, have fluctuated significantly.

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

Although the Group has obtained insurance coverage for its business operations as required by The Securities and Futures (Insurance) Rules (Cap. 571AI) of Hong Kong (the "**SFIR**") for corporations licensed for certain regulated activities and that it considers necessary and sufficient for its operations and customary for the finance industry in which it operates, such as financial institutions civil liability insurance, office premise and property damage insurance, employee compensation insurance, personal injury insurance, life and personal accident insurance, critical illness insurance and medical insurance, such insurance coverage may not be adequate to cover all potential losses. Any such uninsured losses or insurance coverage shortfall could reduce the Group's revenue and could subject the Group to uninsured liabilities, any of which may materially and adversely affect business, financial condition, results of operations and prospects.

Furthermore, there can be no assurance that the insurance maintained by the Group will be adequate or sufficient to, and/or will in reality (given its or their respective levels of coverage) cover it against all risks, including all types of claims that may be asserted against it, or that the Group will be able to obtain adequate insurance coverage at commercially reasonable rates at all times. Any insurance coverage shortfall or lack of insurance could reduce the proceeds upon an event of loss and could subject the Group to uninsured liabilities, any of which could have a material adverse effect on the Group's business, financial conditions, results of operation and prospects.

RISKS RELATING TO THE BONDS, THE KEEPWELL DEED AND THE STANDBY LETTER OF CREDIT

The Issuer is a newly established company and payments with respect to the Bonds will rely on cash flow from other members of the Group

The Issuer is a newly established company and currently does not have any operating activities or revenue. The Issuer's ability to pay principal and interest on the Bonds will depend upon its future financial condition, which cannot be predicted. If the Issuer cannot make payments under the Bonds with its own cash flows, its ability to make payments under the Bonds will depend upon its receipt of timely remittance of funds from the Company and/or other members of the Group. However, the Company is not providing a guarantee of the Issuer's payment obligations. In the event that the Company and/or other members of the Group do not provide such funds to the Issuer due to lack of available cash flows or other factors, the Issuer's ability to make payment under the Bonds may be adversely affected.

The Keepwell Deed is not a guarantee of the payment obligations of the Issuer under the Bonds and the Keepwell Deed would not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company

The Company will enter into the Keepwell Deed in connection with the issuance of the Bonds pursuant to which the Company will undertake to cause the Issuer to have sufficient liquidity to ensure timely payment by the Issuer of any and all amounts payable by it under or in respect of the Bonds. See "*Description of the Keepwell Deed*". However, the Company under the Keepwell Deed is not jointly or severally assuming the payment obligations of the Issuer as in the case of a guarantee. Upon a breach of the Keepwell Deed, the Trustee's only recourse is to take action against the Company to enforce the provisions of the Keepwell Deed. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company arranges for sufficient funds to meet the payment obligations of the Issuer under the Bonds, such performance may be subject to obtaining prior consent or approvals from relevant government authorities. Although the Company is required to use all reasonable endeavours to obtain any required consents and approvals in order to fulfil its obligations under the Keepwell Deed, there is no assurance that such consents or approvals will be obtained in a timely manner or at all. Furthermore, the obligations under the Keepwell Deed may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company, and accordingly, the Bondholders may have limited or no remedies against the Company in connection with such insolvency proceedings.

The Issuer may be unable to redeem the Bonds upon the due date for redemption thereof

Upon maturity, the Bonds will be redeemed at their principal amount, or following the occurrence of a Change of Control (as defined in the Conditions), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at their principal amount, together with accrued interest to (but excluding) the date of redemption. See "*Terms and Conditions of the Bonds — Redemption and Purchase*". On the Maturity Date or if such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to repay, repurchase or redeem the Bonds on the Maturity Date or in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Group.

The Company depends on distributions from its subsidiaries to meet its payment obligations, and provisions of applicable laws or contractual restrictions could limit the amount of such distributions

The Company is a holding company and derives a substantial portion of its revenue from its subsidiaries. As a result, the Company depends on distributions from its subsidiaries in order to meet its payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide the Company with funds for its payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable laws, such as those limiting the legal sources of dividends, limit the ability of the Company's subsidiaries to make payments or other distributions to it. The Company and its respective subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Company will have sufficient cash flows from its own operations and distributions by its subsidiaries and affiliates to satisfy its obligations under the Keepwell Deed. Although the Company believes that it will be able to meet its obligations under the Keepwell Deed, any shortfall would have to be made up from other sources of cash, such as a sale of investments or any financing available to the Company.

The Bonds and the Keepwell Deed are unsecured obligations

The Bonds and the Keepwell Deed are unsecured obligations of the Issuer and the Company, respectively. The repayment of the Bonds and undertakings under the Keepwell Deed may be adversely affected if:

- the Issuer or the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Company's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Company's indebtedness.

If any of these events were to occur, the Issuer's or the Company's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds and under the Keepwell Deed.

Obligations of the Issuer under the Bonds and the obligations of the Company under the Keepwell Deed are structurally subordinated to the current and future liabilities and obligations of their respective subsidiaries and affiliates

The obligations of the Issuer under the Bonds and the obligations of Company under the Keepwell Deed will be effectively subordinated to all existing and future obligations of its existing or future subsidiaries and affiliates, and all claims of creditors of its existing or future subsidiaries and affiliates and rights of holders of preferred shares of such subsidiaries and affiliates (if any) will have priority as to the assets of such subsidiaries and affiliates over the claims of the Issuer and the Company and those of the Issuer's and the Company's creditors, including the holders of the Bonds. As a result, all of the existing and future liabilities of the Issuer's and the Company's subsidiaries, including any claims of trade creditors and preferred stockholders, will be effectively senior to the Bonds and claims under the Keepwell Deed. In addition, even if the Issuer or the Company was a creditor of any of their respective subsidiary, the Issuer's or the Company's rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Issuer or the Company.

If the Issuer or the Company are unable to comply with the restrictions and covenants in their debt agreements, or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's or the Company's debt to be accelerated

If the Issuer and/or the Company is unable to comply with the restrictions and covenants in its present or future debt obligations and other financing agreements, the cross-acceleration provision of the Bonds could be triggered when (i) any other present or future indebtedness of the Company or any of its 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 Company or any of its subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred in aggregate equals or exceeds U.S.$50,000,000 or its equivalent. See "*Terms and Conditions of the Bonds — Events of Default — With respect to the Issuer and the Company — Cross-Acceleration*". As a result, the default by the Issuer and/or the Company under one debt agreement may cause the acceleration of repayment of, or result in a default under, the Bonds. If any of these events occur, there can be no assurance that the Issuer's assets and cash flows would be sufficient to repay all of the Issuer's indebtedness in full, or that it would be able to find alternative financing. Even if the Issuer could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer.

The Bonds may not be a suitable investment for all investors

The Bonds are complex financial instruments and may be purchased as a way to enhance yield with a measured and appropriate addition of risk to the investors' overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

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

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

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

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

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

Uncertainty related to the interpretation of the NDRC Circular may adversely affect the enforceability or performance of the Bonds

According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with a term not less than one year issued or incurred outside the PRC with the NDRC prior to the issue of the securities, and notify the particulars of the relevant issue within 10 PRC working days after closing. The Company's parent, GF Securities, has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 18 August 2021 evidencing such registration. The Issuer will undertake in the Conditions to file or cause to be filed with the NDRC the requisite information and documents on the issuance of the Bonds with the NDRC within the requisite period after the Issue Date. Certain aspects of the NDRC Circular involve uncertainty which could potentially affect the enforceability and/or performance of the Bonds. The NDRC Circular, for instance, is silent on the legal consequences of non-compliance with the pre-issue and post-issue registration requirements. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. There is also risk that the registration certificate with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

Members of the Group may subscribe for the Bonds as initial investors and purchase Bonds in the secondary market

Under the terms of the Bonds, Bonds purchased by members of the Group are not required to be surrendered for cancellation. Members of the Group may therefore purchase the Bonds as initial investors and may purchase and sell Bonds in the secondary market. The interests of such member of the Group may be different from the interests of the other holders of the Bonds. If any member of the Group subscribes for the Bonds as an investor, the liquidity of the Bonds may be limited, and the proceeds received by the Issuer from external investors will be less than the aggregate principal amount of the Bonds. Investors should take the foregoing into account when making an investment decision in the Bonds.

An active trading market for the Bonds may not develop

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although approval in-principle has been received from the SGX-ST for the listing of and quotation of the Bonds on the official list of the SGX-ST, no assurance can be given as to the liquidity of, or trading market for, the Bonds. The Manager is not obliged to make a market in the Bonds, and if any Manager does so, it may discontinue such market making activity at any time at its sole discretion. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance or the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The ratings of the Bonds may be downgraded or withdrawn

The Bonds are expected to be assigned a rating of "A2" by Moody's. Any ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer, the Company and the LC Bank to perform their respective obligations under the Bonds, the Keepwell Deed and the Standby Letter of Credit and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Issuer's or the Company's ability to access the debt capital markets.

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

As the Issuer and the Company are incorporated under the laws of the British Virgin Islands and Hong Kong, respectively, any insolvency proceeding relating to the Issuer or the Company would likely involve the insolvency laws of the British Virgin Islands or Hong Kong, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Investors in the Bonds may be subject to foreign exchange risks

The Bonds are denominated and payable in United States dollars. An investor who measures investment returns by reference to a currency other than United States dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds due to the fluctuation in the exchange rate of United States dollars and the investor's reporting currency. The value of United States dollars is affected by many economic, political and other factors over which the Issuer has no control. Depreciation of the United States dollar against such currency could cause a decrease in the value of the Bonds and a decrease in effective yield of the Bonds below their stated coupon rates causing a loss when the return on the Bonds is translated into such currency.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

International financial markets and world economic conditions may adversely affect the market price of the Bonds

The market price of the Bonds may be adversely affected by international financial markets, world economic conditions and global interest rates. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investor reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, international financial markets have experienced significant volatility. Beginning in December 2016, the US Federal Reserve has raised interest rates several times each year. Such continued increases in interest rates may increase the uncertainties relating to the prices of bonds denominated in U.S. dollars. If similar developments as those described above occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds

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

Modifications and waivers of the Conditions, the Trust Deed and the Standby Letter of Credit may be made by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds

The Conditions contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There are corresponding provisions for written resolutions of the Bondholders and for passing of resolutions by electronic consent, which also permit defined majorities to bind all Bondholders including those Bondholders who did not participate and those who opposed the resolution. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

The Conditions provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification of the Trust Deed, the Conditions, the Agency Agreement and/or the Standby Letter of Credit (other than in respect of a Reserved Matter (as defined in the Trust Deed)) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Conditions, the Trust Deed, the Agency Agreement or the Standby Letter of Credit 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 any mandatory provision of applicable law.

The Trustee is not, however, responsible nor shall have any liability for the legality, effectiveness, validity, enforceability or admissibility in evidence of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Bonds or any transaction documents relating to the Bonds, save in relation to its own gross negligence, wilful default or fraud.

In addition, the Trustee may, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Conditions, the Trust Deed, the Agency Agreement or the Standby Letter of Credit if, in the opinion of the Trustee, the interests of the holders of the Bonds will not be materially prejudiced thereby. See "*Terms and Conditions of the Bonds — Meetings of Bondholders, Modification, Waiver, Authorisation, Determination and Entitlement of Trustee*".

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction

In certain circumstances (including without limitation the giving of notice pursuant to Condition 9 (Events of Default) of the Conditions and the taking of enforcement steps pursuant to Condition 13 (Enforcement) of the Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded 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 or security or pre-funding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

The Bonds will initially be evidenced by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the clearing systems

The Bonds will initially be evidenced by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the

Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are evidenced by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the relevant Clearing Systems for distribution to their account Bondholders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing Systems to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds 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 Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Certificates are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The Bonds may be redeemed by the Issuer prior to maturity

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount (together with interest accrued to but not including the date fixed for redemption) if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Conditions.

If the Issuer redeems the Bonds prior to the Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may issue additional Bonds in the future

The Issuer may, from time to time, and without the consent of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the dates for completing the NDRC Post-issue Filing and making the related notifications) and so that the same shall be consolidated and form a single series with the outstanding Bonds, provided that any Rating Agency (as defined in the Conditions) providing a rating on the Bonds pursuant to Condition 4(e) has been informed by the Issuer of such issue and confirms that such issue will not result in any change in the then credit rating of the Bonds. Any such further securities shall be constituted by a deed supplemental to the Trust Deed and shall be supported by a supplemental or replacement standby letter of credit issued by the LC Bank (or an amendment to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such supplemental or replacement standby letter of credit represents an increase at least equal to the principal of and an amount equal to the interest in respect of one Interest Period of such further securities due on such further securities and all fees, costs, expenses, indemnity payments and other amounts in connection with such issue (subject to a cap (if any) as agreed between the Issuer and the Trustee). See "*Terms and Conditions of the Bonds — Further Issues*". The Issuer may also otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuances of additional Bonds or capital raising activity will not adversely affect the market price of the Bonds. The issue of any such debt securities may also reduce the amount recoverable by investors in the Bonds upon the Issuer's bankruptcy, winding-up or liquidation.

Changes in market interest rates may adversely affect the value of the Bonds

The Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

The Issuer or the Company may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes may be applicable

Under the PRC Enterprise Income Tax Law and its implementation rules, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

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

As at the date of this Offering Circular, neither the Issuer nor the Company has been notified or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of EIT Law. However, there is no assurance that the Issuer or the Company will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. If the Issuer or the Company is deemed to be a PRC resident enterprise for EIT purposes, the Issuer or the Company generally would be subject to the PRC enterprise income tax at the rate of 25.0 per cent. on its worldwide income.

Furthermore, if the Issuer or the Company is deemed to be a PRC resident enterprise, the Issuer or the Company would be obligated to withhold PRC income tax on payments of interest or redemption premium (if any) at a rate of 10.0 per cent. for non-PRC resident enterprises, or at a rate of 20.0 per cent. for non-PRC resident individuals. In addition, any gains realised by such investors from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10.0 per cent. PRC income tax for non-PRC resident enterprises, or a 20.0 per cent. PRC income tax for non-PRC resident individuals, if such gains are regarded as income derived from sources within the PRC. The PRC income tax liability may be reduced under applicable income tax treaties, such as the arrangement for avoidance of double taxation with Hong Kong. However, it is unclear whether in practice non-resident Noteholders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

On 23 March 2016, the Ministry of Finance ("**MOF**") and State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. According to Circular 36, which was amended on 11 July 2017 and 20 March 2019, VAT is applicable where the entities or individuals provide financial services such as providing loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. Circular 36 further clarifies that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Bonds may be treated as the Noteholders providing loans to the Issuer, which will be regarded as providing financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Noteholders may be subject to withholding VAT at the rate of 6.0 per cent. In addition, the holders of the Bonds shall also be subject to the local levies up to 12.0 per cent. of the VAT payment. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

The Bonds will be mandatorily redeemed upon a pre-funding failure

The Conditions provide for a demand to be made under the Standby Letter of Credit in the event the Issuer fails to pre-fund the principal and interest due on any Bonds or upon the occurrence of an Event of Default under the Bonds by the expiration date of the Standby Letter of Credit. Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds (together with all fees, costs, expenses, indemnity amounts and other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed and/or the Agency Agreement then outstanding), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 6(d) (*Mandatory Redemption upon a Pre-Funding Failure*) of the Conditions. Bondholders will not be able to hold their Bonds to maturity should such mandatory redemption occur.

The LC Bank may be affected by the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may include the LC Bank and other members of the LC Bank (a "**FIRO group entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO group entity, the relevant resolution authority will have the ability to resolve other entities within the LC Bank as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities or the LC Bank. Resolution actions or reorganisation measures taken, or bail-in powers exercised, in respect of the LC Bank in any other relevant jurisdiction may be recognised, and given effect to, under Hong Kong law. In addition, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of nay priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to amend or alter the contractual provisions of the Standby Letter of Credit, all of which may adversely affect the value of the Bonds, and the Bondholders thereof may suffer a loss of some or all of their investment as a result.

The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, LC Bank is unable to assess the full impact of FIRO on the financial system generally, the LC Bank's counterparties, the LC Bank, any of its consolidated subsidiaries or other group entities, the LC Bank's operations and/or its financial position.

The Standby Letter of Credit expires 30 days after the Maturity Date

The Standby Letter of Credit will expire 30 days after the Maturity Date. If the Issuer has failed to pre-fund the principal and interest due on any Bonds or if an Event of Default under the Bonds has occurred and the Trustee has not made a demand under the Standby Letter of Credit by this expiration date, Bondholders will not be able to benefit from the credit protection provided by the LC Bank.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries

The Issuer will be subject to reporting obligations in respect of the Bonds that will be listed on SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to the level to which the Bondholders are accustomed.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds (as defined below) substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificates (as defined below) and referred to in the Global Certificate (as defined below).

The U.S.$300,000,000 in aggregate principal amount of 1.125 per cent. credit enhanced bonds due 2024 with the benefit of a standby letter of credit (the "**Bonds**", which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of GF Financial Holdings BVI Ltd. (the "**Issuer**") are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 15 September 2021 (the "**Issue Date**") made between the Issuer, GF Holdings (Hong Kong) Corporation Limited (the "**Company**") and CMB Wing Lung (Trustee) Limited (in such capacity, the "**Trustee**", which expression shall include any successor trustee and all persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for itself and the holders (as defined below) of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds.

The Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") dated 15 September 2021 issued by Nanyang Commercial Bank, Limited (the "**LC Bank**") in favour of the Trustee on behalf of itself and holders of the Bonds. The Bonds also have the benefit of a keepwell deed (as amended and/or supplemented from time to time, the "**Keepwell Deed**") dated the Issue Date entered into by the Company, the Issuer and the Trustee.

The Bonds are the subject of an agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated the Issue Date made between the Issuer, the Company, the Trustee, CMB Wing Lung Bank Limited as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Bonds), as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds), as the account bank where the Pre-funding Account (as defined below) is held (in such capacity, the "**Pre-funding Account Bank**", which expression shall include any successor), as the account bank where the LC Proceeds Account (as defined below) is held (in such capacity, the "**LC Proceeds Account Bank**", which expression shall include any successor) and the other agents appointed thereunder. References herein to "**Paying Agents**" include the Principal Paying Agent together with any additional or successor paying agent appointed in connection with the Bonds, and "**Agents**" means the Principal Paying Agent, any other Paying Agents, the Registrar, any Transfer Agent and any other agent or agents and their successor(s) appointed from time to time in connection with the Bonds.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Keepwell Deed, the Agency Agreement and the Standby Letter of Credit applicable to them. Copies of the Trust Deed, the Keepwell Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection by Bondholders upon prior written request and satisfactory proof of holding and identity during normal business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) Monday to Friday, except for public holidays) at the principal place of business for the time being of the Trustee, being at the Issue Date at 6/F, CMB Wing Lung Bank Building, 45 Des Voeux Road Central, Hong Kong and at the specified office for the time being of the Principal Paying Agent.

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.

1 FORM, AUTHORISED DENOMINATION AND TITLE

The Bonds are issued in specified denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each an "**Authorised Denomination**"). The Bonds are evidenced by registered certificates (the "**Certificates**", and each a "**Certificate**") and, save as provided in Condition 2(b), each Certificate shall evidence the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. The holder of any Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer, duly completed) evidencing it or the actual or alleged destruction, theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**", or in respect of a Bond, "**holder**" means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first-named thereof).

*Upon issue, the Bonds will be initially evidenced by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. The Conditions are modified by certain provisions contained in the Global Certificate in respect of any of the Bonds that are evidenced by the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

2 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) Register

The Issuer will cause a register (the "**Register**") to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names, addresses and details of the registered account (as defined in Condition 7(a)(ii)) of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall (save as provided in Condition 2(b)) be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 2(e) and 2(f), a Bond may be transferred (in whole or in part but in any case in an Authorised Denomination) by surrendering the Certificate issued in respect of that Bond at the specified office of the Registrar or any Transfer Agent, with the form of transfer on the back of the Certificate (or in the form obtainable from the Registrar or any Transfer Agent) duly completed and signed and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. In the case of a transfer of only part of a holding of Bonds evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in an Authorised Denomination) and a further new Certificate in respect of the balance of the holding not transferred (which shall be in an Authorised Denomination) shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

(c) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds pursuant to Condition 2(b) shall be made available for delivery within seven business days of receipt of a duly completed form of transfer, surrender of the existing Certificate(s) and provision of any other evidence required by the Registrar or the relevant Transfer Agent as provided in Condition 2(b). Delivery of the new Certificate(s) shall be made at the specified office of the relevant Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Certificate and evidence 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 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 in writing 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(c), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

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

(d) Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant Transfer Agent (as the case may be), may require) by the relevant Bondholder in respect of any tax, duty, assessment or other governmental charge which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the Regulations (as defined in Condition 2(f)) have been complied with.

(e) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)); or (iii) after a Tax Redemption Notice (as defined in Condition 6(b)) has been delivered by the Issuer pursuant to Condition 6(b); or (iv) after a Put Exercise Notice (as defined in Condition 6(c)) in respect of such Bond has been deposited by any Bondholder pursuant to Condition 6(c).

(f) Regulations

All transfers of Bonds and entries on the Register will be made subject to detailed regulations (the "**Regulations**") concerning transfers of the Bonds, the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed from time to time 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 (free of charge to the Bondholders and at the Issuer's expense) by the Registrar to any Bondholder following written request and proof of holding and identity to the satisfaction of the Registrar.

3 STATUS, STANDBY LETTER OF CREDIT AND PRE-FUNDING

(a) Status

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) Standby Letter of Credit

The Bonds will have the benefit of the Standby Letter of Credit issued by the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Bonds. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by the Trustee or an agent of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (a "**Demand**") stating that (i) the Issuer has failed to comply with Condition 3(c) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or has failed to provide the Required Confirmations (as defined in Condition 3(c)) in accordance with Condition 3(c); or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9.

Only one drawing is permitted under the Standby Letter of Credit. Such drawing will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of a Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Keepwell Deed, the Agency Agreement and/or any other transaction document relating to the Bonds shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Keepwell Deed, the Agency Agreement and/or any other transaction document relating to the Bonds.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.$302,687,500 being an amount representing (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (as defined in Condition 5) and (ii) U.S.$1,000,000 for all fees, costs, indemnity payments, expenses and other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Keepwell Deed, the Agency Agreement and/or any other transaction document relating to the Bonds. The Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 5:00 p.m. (Hong Kong time) on 15 October 2024 unless extended in accordance with its terms.

The form of the Standby Letter of Credit is scheduled to the Offering Circular. See "Appendix - Form of Irrevocable Standby Letter of Credit".

(c) Pre-funding

In order to provide for the payment of any amount in respect of the Bonds (other than any amount payable under Condition 6(d)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling eight Business Days (the "**Pre-funding Date**") prior to the due date for such payment:

(i) unconditionally and irrevocably pay or procure to be paid the Relevant Amount in immediately cleared and available funds into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile or email in pdf format (followed by an original as soon as reasonably practicable thereafter) (x) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions.

So long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of the Trustee or an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders, the Issuer undertakes that once a Relevant Amount has been paid into the Pre-funding Account in full it shall not withdraw (or cause a withdrawal to be made on its behalf) such Relevant Amount other than in accordance with the Required Confirmations, and the Pre-funding Account Bank shall be entitled to disregard any instruction to effect any such withdrawal from the Issuer (or any person acting on its behalf). The foregoing restrictions shall not apply to amounts deposited into the Pre-funding Account in excess of a Relevant Amount, as further described in the Agency Agreement.

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall:

(1) as soon as practicable, and in any event not later than 6:00 p.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, notify the LC Bank and the LC Proceeds Account Bank by facsimile or authenticated SWIFT of the occurrence of the Pre-funding Failure; and

(2) by no later than 6:00 p.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (x) give notice (the "**Pre-funding Failure Notice**") to the Bondholders of (aa) the Pre-funding Failure and (bb) the redemption of the Bonds in accordance with Condition 6(d) to occur as a result of the Pre-funding Failure and (y) issue a Demand to the LC Bank for the aggregate principal amount of all of the Bonds then outstanding, together with interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 6(d)) and all fees, costs,

expenses, indemnity payments and other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Keepwell Deed, the Agency Agreement and/or any other transaction document relating to the Bonds, *provided that*, subject to and in accordance with the terms of the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT sent on its behalf (or, in certain limited circumstances set out in the Standby Letter of Credit, by way of such other means as permitted under the Standby Letter of Credit).

After receipt by the LC Bank of such Demand, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following receipt of such Demand (if a Demand is received at or before 6:00 p.m. (Hong Kong time) on a Business Day), or by 10:00 a.m. (Hong Kong time) on the fifth Business Day immediately following receipt of such Demand (if a Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day) pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

(d) Definitions

In these Conditions:

"**Authorised Signatory**" means any director or any officer of the Issuer or the Company (as the case may be) who has been authorised by their respective board of directors to sign any certificate or document required in connection with the Trust Deed, the Keepwell Deed, the Agency Agreement or the Bonds on behalf of, and so as to bind, the Issuer or the Company (as the case may be) and which the Issuer or the Company (as the case may be) has notified in writing to the Trustee and the Agents as provided in the Agency Agreement;

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

"**LC Proceeds Account**" means a non-interest-bearing U.S. dollar account established in the name of the Trustee with the LC Proceeds Account Bank and designated for the purposes specified above;

"**Payment and Solvency Certificate**" means a certificate in substantially the form set forth in the Agency Agreement stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (i) payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 3(c) and (ii) the Issuer is solvent; and

"**Pre-funding Account**" means a non-interest-bearing U.S. dollar account established in the name of the Issuer with the Pre-funding Account Bank and designated for the purposes specified above.

4 COVENANTS

(a) Limitation on the Issuer's Business Activities

The Issuer undertakes, and the Company shall procure the Issuer to, that so long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution (as defined in the Trust Deed), not conduct any business or any activities other than (i) the incurrence of indebtedness outside the PRC, including but not limited to, the offering, sale, issuance, guarantee or undertaking of the Bonds or any future debt obligations and the incurrence of indebtedness represented by such debt obligations, (ii) the lending of the proceeds thereof to, or making equity investment of the proceeds thereof in, any of the Company (or at its direction), its Subsidiaries or affiliates (as applicable), or (iii) the establishment and/or maintenance of the Issuer's corporate existence.

(b) Financial Information

So long as any Bond remains outstanding (as defined in the Trust Deed), the Company will furnish the Trustee with:

(i) a copy of the Audited Financial Reports within 120 days of the end of each Relevant Period (audited by an internationally recognised firm of independent accountants); and

(ii) a copy of the Interim Financial Information within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports,

and if the Audited Financial Reports or the Interim Financial Information is in the Chinese language, together with an English translation of the same translated by (X) an internationally recognised firm of independent accountants or (Y) a professional translation service provider, in each case, together with a certificate in English signed by an Authorised Signatory of the Company certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person).

The Trustee shall not be responsible for checking or verifying any such translation and may rely conclusively on the same as being a complete and accurate translation of the original and shall not be liable to any Bondholder, the Agents or any other person for doing so.

The Trustee shall not be required to review the relevant Audited Financial Reports, the Interim Financial Information or any other financial report furnished or delivered to it as contemplated in this Condition 4(b) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

(c) Compliance Certificate

So long as any Bond remains outstanding (as defined in the Trust Deed), each of the Issuer and the Company shall send a Compliance Certificate to the Trustee (i) at the same time as the Audited Financial Reports are provided pursuant to Condition 4(b) and (ii) within 14 days of any written request by the Trustee. The Trustee may rely on the Compliance Certificates conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(d) Maintenance of Consolidated Net Worth; Liquidity

The Company has undertaken with the Issuer and the Trustee in the Keepwell Deed that the Company shall cause:

(i) the Issuer to have a Consolidated Net Worth of at least U.S.$1.00 at all times; and

(ii) the Issuer to have sufficient liquidity to ensure timely payment by the Issuer of any and all amounts payable in respect of the Bonds in accordance with the Trust Deed and the Conditions and any and all payments due under the Trust Deed and the Agency Agreement.

(e) Ratings

Each of the Issuer and the Company undertakes, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution, the Issuer will, and the Company will procure the Issuer to, maintain a rating on the Bonds by any of the Rating Agencies. The Trustee is not responsible for monitoring the rating of the Bonds.

(f) NDRC Post-issue Filing

The Company undertakes to file or cause to be filed a notification with the National Development and Reform Commission of the PRC (the "**NDRC**") within the requisite period after the Issue Date (the "**NDRC Post-issue Filing Deadline**") in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015] 2044號) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by NDRC from time to time (each, a "**NDRC Post-issue Filing**"). The Company shall comply with all applicable PRC laws and regulations in connection with the relevant NDRC Post-issue Filing and shall:

(i) within 10 PRC Business Days after the submission of the NDRC Post-issue Filing provide the Trustee with (x) a certificate in the English language substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Company (as previously notified to the Trustee in writing in accordance with the Agency Agreement) confirming the submission of the relevant NDRC Post-issue Filing and (y) a copy of the documents (if any) evidencing the completion of the NDRC Post-Issue Filing; and

(ii) procure the Issuer to give notice to the Bondholders, substantially in the form scheduled to the Trust Deed, (in accordance with Condition 16) confirming the submission of the relevant NDRC Post-issue Filing within 10 PRC Business Days after the documents referred to in subparagraph (i) above are delivered to the Trustee.

The Trustee shall have no obligation or duty to assist with or to monitor or ensure either NDRC Post-issue Filing is submitted on or before the NDRC Post-issue Filing Deadline or to verify the accuracy, validity and/or genuineness of any documents comprising or prepared or submitted in relation to or in connection with the NDRC Post-issue Filing or to give notice to the Bondholders confirming the submission of the NDRC Post-issue Filing, and shall not be liable to the Bondholders, the Issuer, the Company or any other person for not doing so.

(g) Definitions

In these Conditions:

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

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

(i) no Event of Default or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it; and

(ii) the Issuer (in the case of the Issuer's Compliance Certificate) or each of the Issuer and the Company (in the case of the Company's Compliance Certificate) has complied with all its obligations under the Trust Deed, the Keepwell Deed and (in the case of the Issuer) the Bonds, or, if non-compliance has occurred, giving details of it;

"**Consolidated Net Worth**" means the excess of total assets of the Issuer and its consolidated subsidiaries over total liabilities of the Issuer and its consolidated subsidiaries, each to be determined in accordance with HKFRS;

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

"**HKFRS**" means Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as in effect from time to time;

"**person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**Potential Event of Default**" means an event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

"**PRC**" means the People's Republic of China, excluding the Special Administrative Regions of Hong Kong and Macau and the region of Taiwan;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing;

a "**Rating Agency**" means any of Moody's Investors Service, Inc., Fitch Ratings Ltd., S&P Global Ratings, a division of S&P Global, Inc., or their respective successors;

"**Relevant Period**" means (i) in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Company's financial year (being 31 December of that financial year); and (ii) in relation to the Interim Financial Information, each period of six months ending on the last day of the first half of the Company's financial year (being 30 June of that financial year);

"**Subsidiary**" means, with respect to any person, (i) any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person; or (ii) any corporation, association or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**Interim Financial Information**" means the semi-annual consolidated balance sheet, consolidated income statement and consolidated statement of cash flows of the Company prepared on the same basis as the Audited Financial Information, together with any statements, reports (including any directors' and auditors' reports, if any) and notes attached to or intended to be read with any of them, if any; and

"**Voting Stock**" means, with respect to any person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.125 per cent. per annum, payable semi-annually in arrear on 15 March and 15 September of each year (each an "**Interest Payment Date**") in equal instalments of U.S.$5.625 per Calculation Amount commencing on 15 March 2022.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate evidencing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holders, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders in accordance with Condition 16 of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

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

In these Conditions, "**Day-count Fraction**" will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

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

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 15 September 2024 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") which shall specify the date for redemption and the method by which payment shall be made to the Bondholders in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with any interest accrued to (but not including) the date fixed for redemption) if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

(i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC, the British Virgin Islands or Hong Kong or any other relevant jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 8 September 2021, and

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

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

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee: (A) a certificate in English signed by an Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion in form and substance satisfactory to the Trustee of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments.

The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Bondholders or any other person) of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 6(b) has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 6(b) and none of them shall be liable to the Bondholders or the Issuer or any other person for not doing so.

Upon the expiry of any such notice period as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 6(b).

(c) Redemption for Change of Control

Following the occurrence of a Change of Control, the holder of any Bond will have the right (the "**Change of Control Put Right**"), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at their principal amount together with accrued interest to (but excluding) the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current and initially in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the

Certificate evidencing the Bonds to be redeemed, by (i) not later than 30 days following a Change of Control (the "**Initial Exercise Period**"), or, (ii) if later, within 30 days following the date upon which notice of the Change of Control is given to Bondholders by the Issuer as specified below (the "**Substituted Exercise Period**"). A Put Exercise Notice, once delivered, shall be irrevocable.

The "**Put Settlement Date**" in respect of any Bond for which such option is exercised shall be the 14th day after the expiry of (1) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (2) in all other circumstances, the Substituted Exercise Period.

Not later than 14 days following the day on which the Issuer becomes aware of a Change of Control, the Issuer shall procure that notice regarding the Change of Control shall be delivered to the Trustee and Principal Paying Agent in writing and (in accordance with Condition 16) to the Bondholders stating:

(i) the Put Settlement Date;

(ii) the date of the Change of Control and briefly the events causing the Change of Control;

(iii) the date by which a Put Exercise Notice must be given;

(iv) the redemption amount and the method by which such amount will be paid;

(v) the names and addresses of all Paying Agents;

(vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Change of Control Put Right; and

(vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

The Trustee and the Agents shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Change of Control and shall not be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur, and shall not be liable to Bondholders, the Issuer or any other person for not doing so. The Trustee and Agents shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer.

For the purpose of these Conditions:

(A) a "**Change of Control**" means the occurrence of one or more of the following events:

  (i) GF Securities Co., Ltd. ceases to, directly or indirectly, hold or own at least 51 per cent. of the issued share capital of the Company; or

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

  (iii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person or Persons except where such Person(s) is/are directly or indirectly at least 51 per cent. held or owned by GF Securities Co., Ltd.; and

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

So long as the Bonds are evidenced by a Global Certificate, the right of a Bondholder to redeem the Bonds following the occurrence of a Change of Control will be effected in accordance with the rules of the relevant clearing systems.

(d) Mandatory Redemption upon Pre-funding Failure

If a Pre-funding Failure occurs in respect of a scheduled payment of principal or interest payable under Condition 5 or Condition 6(a), the Bonds shall be redeemed in whole, but not in part, on the next Interest Payment Date falling after the date a Pre-funding Failure Notice is given to Bondholders in accordance with Condition 3(c) (the "**Mandatory Redemption Date**") at their principal amount, together with interest accrued to, but excluding, the Mandatory Redemption Date.

If any Bondholder shall have exercised its right to require the Issuer to redeem its Bonds in accordance with Condition 6(c) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 3(c) as a result of a Pre-funding Failure relating to the amount payable by the Issuer pursuant to such redemption, the Issuer shall redeem all outstanding Bonds in whole, but not in part, at their principal amount on the Put Settlement Date, together with interest accrued to, but excluding, the Put Settlement Date.

(e) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in the Tax Redemption Notice or, as the case may be, on the Put Settlement Date. If there is more than one notice of redemption given in respect of any Bond (which shall include a Tax Redemption Notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and shall not be liable to Bondholders, the Issuer, the Company or any other person for not doing so.

(f) Purchase

The Issuer, the Company or any of the Company's other Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Company or any such Subsidiary prior to surrender to the Registrar for cancellation pursuant to Condition 6(g), shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

(g) Cancellation

All Certificates evidencing Bonds which are redeemed by or on behalf of the Issuer, the Company or any of their respective Subsidiaries in accordance with Condition 6(a) through Condition 6(d) (inclusive) shall be promptly surrendered to the Registrar for cancellation. All Certificates evidencing Bonds which are purchased by or on behalf of the Issuer, the Company or any of their respective Subsidiaries may at any time at the discretion of the purchaser be surrendered to the Registrar for cancellation. Upon surrender thereof, all such Bonds and Certificates shall be cancelled forthwith. Any Certificates so surrendered for cancellation and the relevant Bonds may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) Method of Payment

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent if no further payment falls to be made in respect of the Bonds evidenced by such Certificates) in the manner provided in paragraph (ii) of this Condition 7(a).

(ii) Interest on each Bond shall be paid to the person at their registered account shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the "**Record Date**"). In these Conditions, the "**registered account**" of a Bondholder means the U.S. dollar account maintained by or on behalf of such holder with a bank, details of which appear in the Register. Payments of interest on each Bond shall be made in U.S. dollars by wire transfer to such registered account. In this Condition 7(a)(ii), "**business day**" means a day, other than a Saturday, a Sunday or a public holiday, on which the Registrar is open for business in the place of its specified office.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount (which need not be an Authorised Denomination). If the amount of interest or premium (if any) being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest or premium (if any) so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or an Alternative Clearing System (as defined in the Trust Deed), 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 1 January and 25 December.*

(b) Payments subject to Fiscal Laws

Payments in respect of principal, premium (if any) and interest on Bonds are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, 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. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if this is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Paying Agent, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered. The relevant Bondholder shall not be entitled to payment earlier than the dates for payment specified in this paragraph.

(d) Appointment of Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Agents act solely as agents of the Issuer (or, in the limited circumstances provided for in the Trust Deed and the Agency Agreement, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent and (iv) such other agents as may be required by any stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or a day on which the bank where a registered account is maintained is open for receipt of such transfers, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with Condition 7(a)(ii) arrives in the registered account of the Bondholder after the due date for payment.

(f) Payment Business Days

In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business in New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or Hong Kong or any other relevant jurisdiction or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If (i) the Issuer is required to make any deduction or withholding by or within the PRC, the British Virgin Islands, Hong Kong or any other relevant jurisdiction, then the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(i) **Other connection**: to a holder (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 Bond by reason of his having some connection with the British Virgin Islands, Hong Kong or such other relevant jurisdiction other than the mere holding of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority; or

(ii) **Presentation more than 30 days after the Relevant Date**: in respect of which the Certificate evidencing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such Additional Tax Amounts on presenting the Certificate evidencing such Bond for payment on the last day of such period of 30 days.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts or other additional amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

In these Conditions, "**Relevant Date**" in respect of any Bond 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 Bondholders that, upon further surrender of the Certificate evidencing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, the British Virgin Islands or Hong Kong, references in Condition 6(b) to the PRC, the British Virgin Islands or Hong Kong and this Condition 8 to the PRC, the British Virgin Islands or Hong Kong shall be construed as references to the PRC, the British Virgin Islands or Hong Kong and/or such other jurisdiction (as the case may be).

Neither the Trustee nor any Agent shall be responsible for paying any withholdings, deductions, taxes, duties, assessments or governmental charges of whatever nature or any other payment referred to in this Condition 8 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Company or the Bondholders or any other person to pay such withholdings, deductions, taxes, duties, assessments or governmental charges of whatever nature or other payment or be responsible to provide any notice or information that would permit, enable or facilitate the payment of any principal, interest, premium (if any) or other amount under or in respect of the Bonds without deduction or withholding for or on account of any withholdings, deductions, taxes, duties, assessments or governmental charges of whatever nature imposed by or within any jurisdiction.

9 EVENTS OF DEFAULT

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

An "**Event of Default**" occurs if:

(A) With respect to the Issuer and the Company

(a) **Non-Payment**: there has been a failure to pay when due and payable (i) the principal of (or premium, if any, on) any of the Bonds, or (ii) any interest on any of the Bonds and, in the case of interest only, such failure continues for a period of 14 consecutive days; or

(b) **Breach of Other Obligations**: the Issuer or the Company does not perform or comply with any one or more of its other obligations under the Bonds, the Trust Deed or the Keepwell Deed (other than where such default gives rise to a redemption pursuant to Condition 6(c)) and such default (i) is incapable of remedy or, (ii) if capable of remedy, is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer or the Company (as the case may be); provided that (A) any non-compliance with Condition 3(c) does not constitute an Event of Default under this Condition 9(A)(b) unless and until an Event of Default has occurred under Condition 9(A)(a) and (B) any non-compliance with the Keepwell Deed which gives rise to a Change of Control does not constitute an Event of Default; or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness of the Issuer, the Company or any other Subsidiary of the Company for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any 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, the Company or any other Subsidiary of the Company fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred in aggregate equals or exceeds U.S.$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(A)(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any substantial part of the property, assets or revenues of the Issuer, the Company or any Principal Subsidiary and is not discharged or stayed within 60 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Company or any Principal Subsidiary over all or a material part of the assets of the Issuer, the Company or the relevant Principal Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 60 days; or

(f) **Insolvency**: (i) the Issuer or the Company is (or is deemed by law or a court to be) insolvent or bankrupt, or (ii) any Principal Subsidiary is insolvent or bankrupt (where, for the purpose of this Condition 9(A)(f)(ii) only, "insolvent" and "bankrupt" shall mean being unable to pay debts as they mature or as obligations become due and payable and where (for the removal of doubt) a Principal Subsidiary is not considered insolvent solely due to negative net worth as shown on its financial statements) or institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganisation or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or files a petition or answer or consent seeking reorganisation or relief under applicable bankruptcy, insolvency, reorganisation or similar law, except (x) for the purposes of and followed by a reconstruction, restructuring and rehabilitation, amalgamation, reorganisation, merger or consolidation whereby the undertaking and assets of such Principal Subsidiary are transferred or otherwise vested in the Company or any Subsidiary in any combination or (y) a disposal (whether in cash or otherwise) on an arm's length basis and the assets resulting from such disposal are vested in the Company or any of its Subsidiaries, or (iii) the Issuer, the Company or any Principal Subsidiary is unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or any material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Company or any Principal Subsidiary, as the case may be; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Company or any Principal Subsidiary, or the Issuer, the Company or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of and followed by a winding-up reconstruction, dissolution, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Company or any of their respective Subsidiaries (in any combination); or (iii) a solvent winding up or solvent dissolution of any Principal Subsidiary or (iv) a disposal of a Principal Subsidiary (whether in cash or otherwise) on an arm's length basis and the assets resulting from such disposal are vested in the Issuer, the Company or any of their respective Subsidiaries; or

(h) **Nationalisation**: all or any substantial part of the undertaking, assets and revenues of the Issuer, the Company or any Principal Subsidiary is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government; or

(i) **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 9(d) to 9(h) (both inclusive); or

(j) **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 each of the Issuer and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Keepwell Deed (other than with regard to the performance of and compliance with the obligations under the Keepwell Deed which may be subject to the approval or other authorisation of PRC governmental authorities), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Certificates, the Trust Deed, the Register and the Keepwell Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(k) **Illegality**: it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of their respective obligations under any of the Bonds, the Trust Deed and/or the Keepwell Deed; or

(l) **Keepwell Deed**: the Keepwell Deed is not (or is claimed by the Company to not be) enforceable, valid or in full force and effect, or the Keepwell Deed is modified or amended other than strictly in accordance with its terms or these Conditions.

"**Principal Subsidiary**" means any Subsidiary of the Company:

(i) whose total revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited income statement are at least 10 per cent. of the consolidated revenues as shown by the latest published audited consolidated statement of comprehensive income of the Company, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of revenue of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(ii) whose net profits (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited income statement, are at least 10 per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Company, including, for the avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(iii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited balance sheet, are at least 10 per cent. of the consolidated total assets of the Company as shown by the latest published audited consolidated balance sheet of the Company, including, for avoidance of doubt, the investment of the Company and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and of associated entities and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Company prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition;

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

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

(B) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, net profit or total assets of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Company;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, net profit or total 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 Company and for the purposes of preparing a certificate thereon to the Trustee and the Bondholders; and

(D) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (A) above of this definition) are not consolidated with those of the Company, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Company prepared for this purpose by the Company and for the purposes of preparing a certificate thereon to the Trustee and the Bondholders.

A certificate signed by any Authorised Signatory of the Company confirming that a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

(B) With respect to the LC Bank

(a) Cross-Default:

(i) any other present or future Public External Indebtedness of the LC Bank or any of its LC Bank Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof; or

(ii) any such Public External Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period,

provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(B)(a) have occurred equals or exceeds U.S.$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(B)(a) operates); or

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

(c) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution or administration of the LC Bank or any of the Material Subsidiaries, or the LC Bank ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the LC Bank or another of its Subsidiaries; or (iii) a solvent winding up or solvent dissolution of any Material Subsidiary, or (iv) a disposal of a Material Subsidiary (whether in cash or otherwise) on an arm's length basis where the assets resulting from such disposal are vested in the LC Bank or any of its Subsidiaries; or

(d) **Illegality:** it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit, and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 30 calendar days such that the LC Bank may lawfully perform such obligations; or

(e) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect or the Standby Letter of Credit is modified, amended or terminated without the Trustee's prior written consent; or

(f) **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 9(B)(b) or 9(B)(c).

In this Condition 9(B):

"**LC Bank Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the LC Bank;

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

"**Public External Indebtedness**" means any indebtedness of the LC Bank or any LC Bank Subsidiary, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the PRC and is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days.

10 PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, and the Regulations, at the specified office of the Registrar, 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, indemnity, pre-funding and otherwise as the Issuer or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF HOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of holders

The Trust Deed contains provisions for convening meetings of the Bondholders 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 of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) 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 will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed), or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed (each, a "**Reserved Matter**"), including consideration of proposals, *inter alia*, (i) to modify the Maturity Date of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of securities pursuant to Condition 15 or a modification pursuant to Condition 12(b)), and (vi) to modify or terminate the Keepwell Deed (subject to Condition 12(b)), in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 and 1/2 per cent., or at any such meeting adjourned for lack of quorum not less than 33 and ½ per cent., in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed.

The Trust Deed provides that a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) (a "**Written Resolution**") or a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Bondholders of not less than 66 and 1/2 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) (an "**Electronic Consent**") shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution (if proposed as such) passed at a meeting of Bondholders 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 Bondholders. A Written Resolution and/or Electronic Consent will be binding on all Bondholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

(b) Modification, Waiver and Authorisation

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification (other than any modification relating to a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed and/or the Standby Letter of Credit which in the opinion of the Trustee is not materially prejudicial to the interests of the Bondholders, or may agree, without the consent of the Bondholders, to any modification thereof which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable law. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 16.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers, authorities and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of or be responsible for the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company or the Issuer (save as provided in Condition 8) or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its absolute discretion and without further notice, institute such proceedings against the Issuer, the Company or the LC Bank as it may think fit to enforce the terms of the Trust Deed, the Keepwell Deed and/or the Bonds (as the case may be) and, where appropriate, to draw down on and enforce the Standby Letter of Credit, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding (as defined in the

Trust Deed), and (b) other than in the case of the making of a drawing under the Standby Letter of Credit, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer, the Company or the LC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/ or pre-funded to its satisfaction and relieved from responsibility in certain circumstances. The Trust Deed contains provisions relieving it from taking and/or instituting steps and/or actions and/or proceedings to enforce its rights or payment unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for its fees, costs, expenses, indemnity payments and for any liabilities incurred by it in priority to the claims of Bondholders. In addition, the Trustee and each of the Agents is entitled (i) to enter into business transactions with the Issuer, the Company, the LC Bank and/or any entity related to the Issuer, the Company or the LC Bank without accounting for any profit and (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders.

The Trustee and the Agents shall not be responsible for the performance by the Issuer, the Company, the LC Bank and any other person appointed by any of them in relation to the Bonds of the duties and obligations on their part in respect of the same and, unless it has written notice from the Issuer or the Company to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. The Trustee and the Agents shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Keepwell Deed, the Agency Agreement, the Standby Letter of Credit or these Conditions, or ascertain whether an Event of Default or a Potential Event of Default or a Change of Control has occurred, and shall not be liable to the holders or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Keepwell Deed, the Agency Agreement, the Standby Letter of Credit or these Conditions or by law to exercise any discretion or power, take or refrain from any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Company, the LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarifications in respect of any directions from Bondholders or in the event that no such directions or clarifications are received by the Trustee.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Company, the LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders, the Issuer or the Company, respectively. The Trustee and the Agents shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding (as defined in the Trust Deed) or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed (or a Written Resolution or Electronic Consent) or as further provided in the Trust Deed.

The Trustee and each Agent may rely without liability to Bondholders, the Issuer, the Company or any other person on any report, information, confirmation or certificate or any opinion or advice of any legal advisers, accountants, auditors, valuers, auctioneers, surveyors, brokers, 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, any Agent or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely on any such report, information, confirmation, certificate, opinion or advice and, in such event, such report, information, confirmation, certificate, opinion or advice shall be binding on the LC Bank and the Bondholders and if the same is provided by the Issuer and the Company, the Issuer and the Company.

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

15 FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the dates for completing the NDRC Post-issue Filing and making the related notifications) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any such further securities shall be constituted by a deed supplemental to the Trust Deed and shall be supported by a supplemental or replacement standby letter of credit issued by the LC Bank (or an amendment to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such supplemental or replacement standby letter of credit represents an increase at least equal to the principal of and an amount equal to the interest in respect of one Interest Period of such further securities due on such further securities and all fees, costs, expenses, indemnity payments and other amounts in connection with such issue (subject to a cap (if any) as agreed between the Issuer and the Trustee). References to the Standby Letter of Credit shall thereafter include such supplemental, replacement or amended standby letter of credit. Furthermore, such further securities may only be issued if (i) any Rating Agency which has provided credit ratings in respect of the Bonds has been informed of such issue by the Issuer and (ii) such issue will not result in any adverse change in the then credit rating of the Bonds.

16 NOTICES

All notices to the Bondholders will be valid if mailed to them by uninsured mail at their respective addresses in the Register. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given on the second day after being mailed or, as the case may be, on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or an Alternative Clearing System, notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or an Alternative Clearing System, as applicable, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds, the Trust Deed and the Keepwell Deed under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that it is expressly provided in these Conditions, the Keepwell Deed or the Trust Deed for the Act to apply to any of the terms herein or therein, but this shall not affect any rights or remedies which exist or are available apart from such Act.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Agency Agreement, the Keepwell Deed, the Standby Letter of Credit and the Bonds 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 the Bonds, the Keepwell Deed, the Agency Agreement, the Trust Deed, or the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Keepwell Deed, the Agency Agreement, the Trust Deed or the Standby Letter of Credit ("**Proceedings**") shall be brought in such courts. Each of the Issuer, the Company and the Trustee has, in the Trust Deed, and the LC Bank has in the Standby Letter of Credit, irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Service of Process

Pursuant to the Keepwell Deed, the Agency Agreement and the Trust Deed, the Issuer has irrevocably appointed the Company as its agent to receive service of process in respect of any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer). If for any reason such agent ceases to act as such, the Issuer irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint (at the expense of the Issuer, failing which, the Company) such an agent by written notice to the Issuer and the Company. Nothing herein shall affect the right to serve process in any manner permitted by law.

(d) Waiver of Immunity

Each of the Issuer and the Company has waived any right to claim sovereign, crown, state or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) or any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Conditions set out in this Offering Circular have the meaning in the paragraphs below.

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

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

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") through which the Bonds are held 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.

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Conditions as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

PAYMENT

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

CALCULATION OF INTEREST

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

NOTICES

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

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds evidenced by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of Bonds for which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

BONDHOLDER’S REDEMPTION

The Bondholder’s redemption option in Condition 6(c) (*Redemption for Change of Control*) of the Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

ISSUER’S REDEMPTION

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

TRANSFERS

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

CANCELLATION

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer or its respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed. Capitalised terms not defined herein shall have the meanings ascribed to them in the Keepwell Deed.

Under the Keepwell Deed, the Company will undertake with the Issuer and the Trustee that it shall directly or indirectly own and hold all the outstanding shares of the Issuer and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to a Disposal Order.

In addition, the Company will undertake that it shall cause:

- the Issuer to have a Consolidated Net Worth of at least U.S.$1.00 or its equivalent at all times; and

- the Issuer to have sufficient liquidity to ensure timely payment by the Issuer of any amounts payable under or in respect of the Bonds in accordance with the Conditions and any and all payments due under the Trust Deed and the Agency Agreement, and the Issuer to have sufficient funds to meet its obligations with respect to any and all fees, expenses and obligations of the Issuer in respect of the Bonds.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the parties thereto subject to the provisions of the Trust Deed.

In addition, for so long as the Bonds are outstanding, the Company will undertake:

- to procure that the articles of association of the Issuer shall not be amended in a manner that is, directly or indirectly, materially adverse to holders of the Bonds;

- to cause the Issuer to remain in full compliance with the Conditions, the Trust Deed and all applicable laws and regulations of the British Virgin Islands;

- promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed; and

- to cause the Issuer to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed.

The Keepwell Deed is not, and nothing herein contained and nothing done pursuant hereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed to be evidence of, a guarantee by or any legally binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer under the laws of any jurisdiction.

The parties to the Keepwell Deed will acknowledge that in order for each of the Issuer and the Company to comply with its respective obligations under the Keepwell Deed, the Issuer and/or the Company may require governmental or regulatory approvals, permits and filings pursuant to applicable laws.

The Keepwell Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from the offering of the Bonds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, will be approximately U.S.$298.5 million. The net proceeds will be used for repayments of existing borrowings (including borrowings from some of the Joint Lead Managers) and general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Group as at 31 December 2020 on an actual basis and as adjusted to give effect to the issue of the Bonds.

	As at 31 December 2020			
	Actual		As adjusted after bond issuance	
	HK$	*U.S.$*[1]	*HK$*	*U.S.$*[1]
Short-term debts				
Short-term borrowings[2]	3,493,964,926	450,688,801	3,493,964,926	450,688,801
Borrowings due within one year[3]	4,825,351,406	622,425,206	4,825,351,406	622,425,206
Notes payable due within one year	67,446,750	8,700,000	67,446,750	8,700,000
Long-term debts				
Bonds to be issued[4]	—	—	2,325,750,000	300,000,000
Total debts[5]	8,386,763,082	1,081,814,007	10,712,513,082	1,381,814,007
Equity				
Total owner's equity attributable to parent company	5,436,711,519	701,284,943	5,436,711,519	701,284,943
Non-controlling interests	-3,509,992	-452,756	-3,509,992	-452,756
Total equity	5,433,201,527	700,832,187	5,433,201,527	700,832,187
Total capitalisation	13,819,964,609	1,782,646,194	16,145,714,609	2,082,646,194

Notes:

(1) For convenience only, all translation from HK$ into U.S. dollars are made at the rate of 1:7.7525 which was based on the mid-price of quotation of major banks in Hong Kong on 31 December 2020.

(2) Refers to the amount of bank borrowings. As at 30 June 2021, the Group's short-term debts increased due to a short term IPO loan of HK$2.8 billion incurred during its ordinary course of business.

(3) Refers to the amount of financial assets sold under repurchase agreements and trade payables to a broker arising from prime brokerage financing.

(4) Refers to the aggregate principal amount of the Bonds before deducting the commissions and estimated expenses.

(5) Total debts represents the sum of short-term debts and long-term debts.

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

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer, a limited liability company incorporated in the British Virgin Islands on 21 January 2021 with company number 2053051, is a direct wholly-owned subsidiary of the Company. The registered office of the Issuer is located at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110.

BUSINESS ACTIVITY

The Issuer was incorporated pursuant to the objects and powers set out in its memorandum of association. So long as any Bond remains outstanding, the Issuer will not, and the Company will procure that the Issuer will not, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed), conduct any business or any activities other than (i) the incurrence of indebtedness outside the PRC, including but not limited to, the offering, sale, issuance, guarantee or undertaking of the Bonds or any future debt obligations and the incurrence of indebtedness represented by such debt obligations, (ii) the lending of the proceeds thereof to, or making equity investment of the proceeds thereof in, any of the Company (or at its direction), its subsidiaries or affiliates (as applicable), or (iii) the establishment and/or maintenance of the Issuer's corporate existence. The Issuer will be managed in accordance with its memorandum and articles of association and the laws of the British Virgin Islands. As at the date of this Offering Circular, the Issuer has no subsidiaries.

DIRECTORS

As at the date of this Offering Circular, the sole director of the Issuer is Mr. Wu Dehua (吳德華).

As at the date of this Offering Circular, the sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer, and there are no potential conflicts of interest between any duties of the sole director of the Issuer and his private interests and/or other duties.

AUTHORISED AND ISSUED SHARES

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 ordinary shares with a par value of U.S.$1.00 each, 1 ordinary share of which has been issued to the Company. The register of members of the Issuer is maintained at its registered office. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

FINANCIAL STATEMENTS

The Issuer is not required by the laws of the British Virgin Islands to carry out annual audits, appoint auditors or publish financial statements. The Issuer, since its incorporation, has not published any audited financial statements. The Issuer is, however, required to keep records and underlying documentation which are sufficient to show and explain its transactions and will, at any time, enable its financial position to be determined with reasonable accuracy.

LEGAL AND REGULATORY PROCEEDINGS

As at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings which may have a material adverse effect on its business, financial condition and results of operations nor is the Issuer aware that any such proceedings are pending or threatened.

DESCRIPTION OF THE GROUP

OVERVIEW

The Company is a direct wholly-owned subsidiary of GF Securities Co., Ltd. ("**GF Securities**"), a company listed on both the Shenzhen Stock Exchange (stock code: 000776.SZ) and The Stock Exchange of Hong Kong Limited (the "**HKSE**") (stock code: 1776.HK). The Company was established upon the approval from the CSRC on 14 June 2006. Headquartered in Hong Kong, the Company is GF Securities' primary platform for managing GF Securities' business in Hong Kong and overseas markets. With Hong Kong as the springboard to international markets, the Group, strives to explore and capture opportunities in the PRC and build a global platform to bridge the Chinese and overseas capital markets, and to provide professional and effective capital market services for clients locally and globally.

The Group conducts its businesses mainly through its subsidiaries, some of which are licensed to undertake comprehensive regulated activities in Hong Kong. The Group has obtained the following licences from the Securities and Futures Commission ("**SFC**"): Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management). The Group also undertakes non-SFC regulated activities in Hong Kong and regulated activities in Canada.

The Group offers comprehensive cross-border financial services to corporate, institutional and retail clients in Hong Kong and overseas, and such services can be broadly divided into the following business lines:

- *Brokerage and Wealth Management:* The Group provides integrated brokerage and wealth management products and services to its clients, including but not limited to stock trading, financial products, wealth management services, customised research services, margin financing services, employee stock ownership plans, Guangfabao (廣發寶) cash management fund and insurance brokerage services.

- *Investment Banking:* The Group engages in a wide range of quality corporate finance services such as sponsorship, equity underwriting, debt underwriting, merger and acquisition services and other advisory services.

- *Investment Management:* The Group provides comprehensive asset management services including fund management services and discretionary account management services with QFII/RQFII (as defined below). Investment instruments include fixed income products, stocks and other alternative underlying assets. The Group manages multiple private equity funds including a cross-border merger and acquisition ("**M&A**") fund, and a fund with a focus on sectors of health care, technology, media and telecom ("**TMT**"), advanced manufacturing and consumer goods.

- *Trading and Institution business:* The Group engages in a variety of services in its trading and institution business including fixed income, currencies and commodities ("**FICC**"), global market ("**GM**") and fund investments. The Group's FICC portfolios cover a range of regions, industries, currencies and asset classes. The Group's asset allocation involves multiple countries and covers diversified investments such as bonds, fixed income related products and alternative investments. As for GM business, the Group provides its clients with structured investment and risk management solutions through a variety of derivative instruments as well as its diversified services such as structured notes, asset securitisation, cross-border return swap, stock and bond trading services and A-share and H-share research services. The Group also made some investments in funds, including seed money in its own managed funds.

For the years ended 31 December 2018, 2019 and 2020, the Group's revenue was HK$1,331.4 million, HK$802.9 million and HK$994.8 million, respectively. For the years ended 31 December 2018 and 2019, the Group reported loss of HK$986.4 million and HK$320.9 million, respectively, primarily due to losses suffered by hedge funds consolidated under its financial accounts. In 2020, the Group's financial performance improved and the Group's profit amounted to HK$267.1 million for the year ended 31 December 2020. As at 31 December 2018, 2019 and 2020, the Group's total assets were HK$45,028.8 million, HK$17,253.4 million and HK$22,870.9 million, respectively and the Group's net assets were HK$5,323.4 million, HK$5,182.1 million and HK$5,433.2 million, respectively.

HISTORY AND MILESTONES OF THE GROUP

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

2006	The Company was established following the approval from the CSRC to conduct business in Hong Kong and overseas markets. GF Securities (Hong Kong) Brokerage Limited ("**GF Brokerage**"), GF Capital (Hong Kong) Limited ("**GF Capital**") and GF Asset Management (Hong Kong) Limited ("**GF Asset Management**") were incorporated. In September, GF Securities injected HK$79,999,900 into the Company, increasing the Company's paid-up share capital to HK$80 million.
2007	GF Brokerage and GF Capital were licensed by the SFC to carry out securities brokerage and investment banking businesses.
2008	In July, GF Securities injected HK$150 million into the Company, increasing the Company's paid-up share capital to HK$230 million.
2011	GF Investments (Hong Kong) Company Limited ("**GF Investments (Hong Kong)**") was established with a focus on private equity investment. In April, GF Securities injected HK$450 million into the Company, increasing the Company's paid-up share capital to HK$680 million. In December, the Company obtained the qualification of RMB Qualified Foreign Institutional Investor ("**RQFII**").
2012	In March, GF Securities injected HK$760 million into the Company, increasing the Company's paid-up share capital to HK$1.44 billion.
2015	GF Global Capital Limited ("**GF Global Capital**") was established to engage in FICC proprietary trading. The Company was awarded "Best M&A Investment Bank" at the Belt and Road Initiative (Hong Kong) Summit and China Securities Golden Bauhinia Awards by *Ta Kung Pao*. In January, GF Asset Management obtained the Qualification of Qualified Foreign Institutional Investor ("**QFII**").

	In March, GF Wealth Management obtained an insurance intermediary licence and became licensed to carry on insurance intermediary business in accordance with the Insurance Ordinance.
	In August, GF Securities injected HK$4.16 billion into the Company, increasing the Company's paid-up share capital to HK$5.6 billion.
2016	GF Securities (Canada) Co. Ltd. commenced its Hong Kong stocks investment business, providing clients with the ability to trade shares listed on the HKSE as well as selected A-shares through the Shanghai-Hong Kong Stock Connect through investment advisors in Canada.
2017	GF Global Capital became one of the first participants joining Bond Connect.
2020	GF Global Capital became a member of Beijing Financial Assets Exchange and National Association of Financial Market Institutional Investors, respectively.

RECENT DEVELOPMENTS

According to the requirements of Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法) issued by the CSRC (證監會令第150號) on 25 September 2018 and amended on 17 January 2021, the Group restructured the shareholding of some of its subsidiaries beginning in 2021. Pursuant to this restructuring, the direct shareholder of several indirect subsidiaries of the Group, i.e. GF Wealth Management, GF Financial Holdings (Shenzhen) Investment Management Co., Ltd., GF BEACON CAPITAL Management Limited and GF Investment Management (Hong Kong) Company Limited, has been changed from the Company's intermediate subsidiaries to the Company, respectively, with the Company holding the entire issued shares of these subsidiaries.

In May 2021, the issued share capital of GF Canada Holdings Company Limited was increased to CAD4,560,266.02 from CAD3,000,000.

AWARDS AND RECOGNITIONS

The Group has received numerous awards and recognitions from industry associations and relevant organisations. Set forth below is a list of significant awards and recognitions the Group received in recent years:

- 2021, "Structured Products: Service Awards — Excellence (China Greater Bay Area)" at the "Financial Institution Awards 2021" hosted by the Chinese Edition of *Bloomberg Businessweek*;

- 2021, "Award for Outstanding Security Online Transaction Platform" at the "2020 Fintech Awards" ceremony held by *ETNet*;

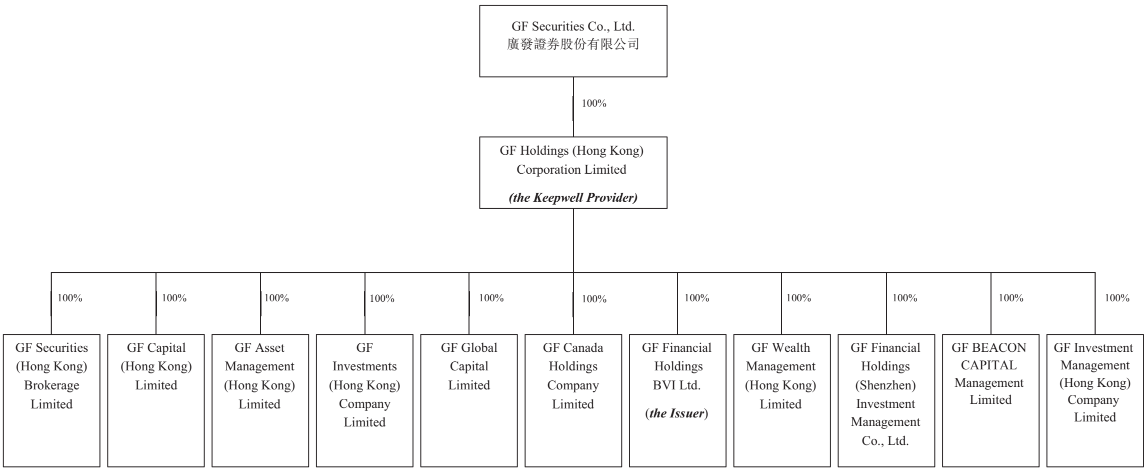
- 2021, "Best Wealth Management Award" at the second "Golden Central Forum" co-sponsored by *Zhitong Caijing* and *Tonghuashun Caijing*;

- 2020, "Most Influential Wealth Management Platform" and "Best APP Experience Award" at the "2020 Fengqi Wutong Hong Kong Stock Financial Summit" and "Financial Institution Value Ranking and Jinwu Award Ceremony" co-organised online by *ifeng Finance and ifeng Hong Kong Stock*.2019 & 2020, "Junding Award for Hong Kong and US Stock Broker" at the China Securities Industry Junding Award Ceremony organised by *Securities Times*, *Stock Brokers China* and *Securities China News APP*;

- 2018, 2019 & 2020, "Junding Award for Hong Kong and US Stock Broker APP" at the China Securities Industry Junding Award Ceremony organised by *Securities Times*, *Stock Brokers China* and *Securities China News APP*.

CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Group, which shows the Issuer, the Company's shareholder and the Company's key subsidiaries as at 31 August 2021:



KEY SUBSIDIARIES OF THE COMPANY

The Group has adopted a holding structure and carries out its business activities primarily through the Company's key subsidiaries that are managing different business lines and holding the relevant licences. The table below sets forth certain information about some of the Company's key subsidiaries as at 31 August 2021:

	Name	Place of incorporation	Issued share capital	Ownership interest and voting power held by the Company	Principal activities
1.	GF Securities (Hong Kong) Brokerage Limited.	Hong Kong	HK$2,800,000,000	100.0%	Securities brokerage
2.	GF Capital (Hong Kong) Limited. . .	Hong Kong	HK$130,000,000	100.0%	Advisory services
3.	GF Asset Management (Hong Kong) Limited	Hong Kong	HK$325,000,000	100.0%	Asset management
4.	GF Investments (Hong Kong) Company Limited	Hong Kong	HK$5,000,000	100.0%	Investment holding
5.	GF Global Capital Limited.	Hong Kong	HK$1,600,000,000	100.0%	Investment trading
6.	GF Wealth Management (Hong Kong) Limited	Hong Kong	HK$15,000,000	100.0%	Financial management
7.	GF Canada Holdings Company Limited	Canada	CAD4,560,266.02	100.0%	Investment holding
8.	GF Financial Holdings (Shenzhen) Investment Management Co., Ltd. (廣發金控(深圳)投資管理有限公司)	PRC	RMB10,000,000	100.0%	Investment advisory
9.	GF BEACON CAPITAL Management Limited	British Virgin Islands	U.S.$100	100.0%	Private Equity Investment
10.	GF Investment Management (Hong Kong) Company Limited	Hong Kong	HK$3,800,000	100.0%	Investment advisory

COMPETITIVE STRENGTHS

The Company believes that the Group has the following competitive strengths:

Strong support from GF Securities

As a direct wholly-owned subsidiary of GF Securities based in Hong Kong, the Company and its subsidiaries serve as the core platform for the implementation of the GF Securities' strategy of international expansion and development. GF Securities attaches great importance to the business development of the Group, and actively promotes domestic and foreign collaboration, continues to strengthen risk control, and promotes the business development, transformation and upgrading of the Group. GF Securities supports the Group to operate through a market-oriented mechanism to attract talent and promote business development.

GF Securities is one of the largest securities companies in the PRC, with 20 branch companies and 282 securities brokerage branches, covering 31 provinces, municipalities directly under the Central Government and autonomous regions in Mainland China as of December 2020. As at 31 December of 2020, the number of GF Securities' mobile-phone securities users exceeded 32.0 million. The outstanding research capacity of GF Securities enjoys a high reputation in the industry as evidenced by numerous honours including: (1) 1st in the "Domestic Best Research Teams (本土最佳研究團隊)" by the best analyst of New Fortune for consecutive years from 2017 to 2020; (2) "Top 5 Golden Bull Research Team (五大金牛研究團隊)" award by "China Securities Industry Analyst Golden Bull Award (中國證券業分析師金牛獎)" for the seventh consecutive year and (3) other awards.

As one of the largest overseas business platforms of GF Securities, the Group continuously receives supports from its parent company on business expansion, client referral, cross selling opportunities and research advice, and derives positive influence from the brand of the parent company.

Well positioned geographically with access to the Guangdong-Hong Kong-Macau Greater Bay Area

The Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**") is one of the PRC's most economically active areas and possesses a high degree of potential for further growth. The development plan outline for the Greater Bay Area set by the PRC government emphasises measures to establish an international financial hub, develop featured financial industries, enhance the connectivity among financial markets within the area and improve and further modernise the financial service system in the PRC. GF Securities and the Group are rooted in the Greater Bay Area and possess a strong customer base in the Greater Bay Area and offer a broad spectrum of services, which gives them an inherent advantage in the fast development of the Greater Bay Area. Among the 282 securities brokerage branches of GF Securities across the country, 121 of them are located in Guangdong Province. In the future, the Group plans to fully utilise its regional advantages, leverage the synergy with GF Securities and explore business opportunities in the construction and development of the Greater Bay Area through providing quality services to its clients.

One-stop licensed investment and financial services platform with diversified products and services

The Group has obtained the following licences from the SFC: Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management). As a result, the Group is able to provide comprehensive and diversified services through its key business lines including brokerage and wealth management, investment management, and trading and institution. PRC customers of GF Securities are able to utilise the international platform provided by the Group, while international customers can leverage GF Securities' extensive network in the PRC and its leading market positions across multiple business lines, thus allowing the Group to provide clients with a one-stop licensed investment and financial services platform. In the future, the Group plans to continue to improve its ability to provide cross-border services and one-stop financial services locally and globally.

Excellent corporate culture and market-oriented mechanism

GF Securities' core value is "inquisitiveness, integrity, client focus and teamwork" and the management philosophy is "stable growth, continual innovations, performance driven culture and business strategies". As the main oversea subsidiary of GF Securities, the Group inherits its parent company's core value and management philosophy. As a market-orientated major investing bank in China and the sole shareholder of the Group, GF Securities fully supports the Group to operate with market-oriented mechanism in the long run and facilitates the Group to achieve sustainable and healthy development by attracting, incentivising and retaining high-quality professionals and experienced personnel.

Conservative leverage ratio and varieties of financing channels

The Group has a relatively large amount of net assets and keeps a conservative leverage level. As at 31 December 2020, the Group had net assets of HK$5.4 billion (representing equity attributable to owners of the Company) and total assets of HK$22.9 billion, with a leverage ratio[1] of 3.2, which the Group considers low in comparison with its peers. The leverage ratio of the Group was 2.6 and 7.7 as at 31 December 2019 and 2018, respectively.

In addition to the proposed offering of the Bonds, the Group has a variety of financing channels, including bilateral loan facilities from banks, syndication loans, repos (repurchase agreement) and PB financing (prime brokerage). The Group successfully entered into syndicated loans in 2014, 2016 and one club loan in 2018.

BUSINESS STRATEGIES

The Company believes that international business expansion and development is important for its business development. The Group has a strategic positioning within the GF Securities group and its strategy is not only to strengthen and develop its own business but also align its goals with and serve the wider goals of the GF Securities group. Thus, the Group adheres to its "customer-centric orientation" approach and regards the international business development strategy as one of its key development directions. As GF Securities' strategic platform for international expansion, the Group strives to explore and capture opportunities in the PRC and to build a global platform that connects the Chinese market with the global capital markets, with an aim to provide comprehensive and professional capital market services for clients locally and globally.

Further expand the existing client space

The Group plans to continue building its global client network by extending its coverage to offshore institutional clients, corporate clients and high net worth individuals. It starts from expanding its client base in Hong Kong, and gradually extends the reach to overseas clients. With its existing expertise and profile in Hong Kong and GF Securities' well-established position in the PRC, the Group endeavours to expand its client coverage and build a global customer profile.

To build a stronger and more diverse clients base, the Group will continue to offer its clients the innovative client-centric wealth management app, more tailor-made financial solutions and instruments, and better understanding of RMB assets.

1 Leverage ratio = {(Non-current assets + current assets) - [Trade payables (cash clients) + Trade payable (margin clients)]} / Equity attributable to owners of the Company. For details of the trade payables, see note 27 in the consolidated financial statements of the Company for the year ended 31 December 2019 and note 30 in the consolidated financial statements of the Company for the year ended 31 December 2020, respectively, included elsewhere in this Offering Circular.

Enhance the interconnection among markets

As GF Securities' primary platform for international expansion, the Group plans to enhance the interconnection between onshore and offshore markets through the following:

- bridging the gap between onshore and offshore financial needs via cross-border total return swap, top-ranked research services, and investment banking opportunities;

- providing better investment access to the RMB assets, focusing on specific sectors, such as TMT, consumer, healthcare and advanced manufacturing;

- strategising its investments in the Greater Bay Area, one of China's revival manufacturing and innovation centres; and

- facilitating the rising needs of onshore clients on global asset allocations.

Develop the Group's core businesses

To further strengthen the Group's business performance and better serve its clients, the Group aims to keep developing its core business. The Group generates its revenue primarily through four business lines, namely, (1) brokerage and wealth management; (2) investment banking; (3) investment management; and (4) trading and institution business. To improve the development quality and promote the interconnection and integration among different business lines, it plans to empower its businesses with cross-asset, cross-border and cross-market trading, product origination and sales. The Group strives to develop its current business lines to provide its clients with higher quality of services as well as more personalised financial solutions or investment options.

Strengthen internal control and technological innovation

In order to promote "stable growth", the Group has firmly conformed to the principles that compliance is the bottom-line of its business and prudential risk control is the life-line. The Group continues to improve its comprehensive internal controls with top-down management of compliance, risk, finance and internal audit, a strong internal control culture, and well-connected systems.

The Group attaches high importance to technological innovation in the long-term and sustainable development of the Company, and empowers each aspect of management, business and service through financial technology to promote its business development and enhance competitiveness. The Group will continue to devote more resources to FinTech, digitalisation, and Artificial Intelligence with the aim to provide customised and integrated comprehensive services to clients.

BUSINESS LINES

The Group generates its revenue primarily through four business lines, namely, (1) brokerage and wealth management; (2) investment banking; (3) investment management; and (4) trading and institution business. The Company, through its various subsidiaries, is licensed to undertake comprehensive regulated activities in Hong Kong and has obtained the following licences from the SFC: Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management).

The table below sets out a breakdown of the Group's revenue by its business lines for the years ended 31 December 2018, 2019 and 2020:

	For the year ended 31 December					
	2018		2019		2020	
	Amount (HK$ million)	*Percentage (%)*	*Amount (HK$ million)*	*Percentage (%)*	*Amount (HK$ million)*	*Percentage (%)*
Brokerage and wealth management	495.5	37.2	353.5	44.0	504.7	50.7
Investment banking	92.7	7.0	82.5	10.3	89.8	9.0
Investment management	20.5	1.5	13.3	1.7	8.1	0.8
Trading and institution business . .	594.6	44.7	335.8	41.8	388.9	39.1
Others	128.1	9.6	17.8	2.2	3.3	0.4
Revenue[1]	1,331.4	100.0	802.9	100.0	994.8	100.0

Note:

(1) This denotes the revenue from the Group's operating activities; the Group has other operating income and other gains and losses; for details, see note 5 and note 6 in the consolidated financial statements of the Company for the years ended 31 December 2019 and 2020, respectively, included elsewhere in this Offering Circular.

Brokerage and Wealth Management

The Group provides integrated brokerage and wealth management products and services to its clients, including but not limited to stock trading, financial products, wealth management services, customised research services, margin financing services, employee stock ownership plans, Guangfabao cash management fund and insurance brokerage. The Group operates its brokerage and wealth management business primarily through two of its wholly-owned subsidiaries, namely, GF Brokerage and GF Wealth Management.

For the years ended 31 December 2018, 2019 and 2020, the Group's brokerage and wealth management business generated revenue of HK$495.5 million, HK$353.5 million and HK$504.7 million, respectively, accounting for 37.2 per cent., 44.0 per cent. and 50.7 per cent. of the Group's revenue, respectively.

Leveraging the synergy with the Group's other business lines, the Group's brokerage and wealth management business offers one-stop wealth management services tailored to meet clients' needs with an aim to unlock the growth potential of their wealth. Over the years, the Group's brokerage and wealth management business has built a comprehensive product portfolio and a team of experienced relationship managers and product experts. Through its experienced and professional team, the Group strives for continuing innovation and perfection of its services and provides diversified local and global securities trading channel. The Group's wealth management platform provides a full range of investment solutions as well as customised solutions to fulfil clients' investment goals in a more efficient and stable manner.

Since inception, the Group's brokerage and wealth management business has consistently achieved organic growth in terms of aggregate value of assets in client accounts and total revenue. As at 31 December 2018, 2019 and 2020, the aggregate value of assets in client accounts under its brokerage and wealth management business reached approximately HK$64.3 billion, HK$67.2 billion and HK$79.8 billion, respectively. The number of clients under the brokerage and wealth management business has also seen substantial growth over the past three years, which reached 95,968, 101,326 and 161,342 as at 31 December 2018, 2019 and 2020, respectively.

The Group believes that its brokerage and wealth management business capture the opportunities presented by the ever-growing base of the PRC's new rich, in particular by working closely with GF Securities' PRC onshore private banking centres. The onshore and offshore businesses engage clients jointly by offering in-depth market analysis and robust execution capabilities in all product categories across major global markets.

The Group's brokerage and wealth management business includes the following sub-business lines:

Stock Trading

The Group's stock trading services primarily include Hong Kong equity trading, global equity trading and stock connect trading services. The Group is a qualified China Connect Exchange Participant and can provide Shanghai Stock Connect and Shenzhen Stock Connect stock trading services (not including stock short selling services). In addition, the Group also provides Shanghai-London Stock Connect trading services through which customers can trade stocks listed in London.

Financial Products

The Group provides its clients with a variety of financial products, including funds, bonds, structured notes, trust services, Capital Investment Entrant Scheme and Hong Kong stock options.

Wealth Management Services

The Group cooperates with professional organisations to provide customised wealth inheritance solutions such as family insurance, family trusts and family offices for its clients to help them preserve and achieve continuity of family wealth. The Group also provides tailored wealth management solutions for its clients, which allows them to seize investment opportunities in the rapidly changing markets.

Customised Research Services

The Group's experienced analysts are able to provide customers with tailored buy-side research services and asset research services.

Margin Financing Services

The Group's margin financing trading services cover more than 2,000 stocks from different industries and provide clients with competitive interest rates and margin ratios. It provides a service hotline for order placing, quotation and enquiry as well as online securities financing transaction services. It also provides stock borrowing and lending services.

Employee Stock Ownership Plans

Through the Group's experienced service team, the Group provides companies with professional advice and services in relation to employee stock ownership plan.

Guangfabao (廣發寶) Cash Management Fund

Guangfabao is a wealth management product developed by the Group to help its customers manage idle funds in their accounts. The underlying asset is a currency fund approved by the SFC. When there are idle funds in the account, the system will automatically subscribe for Guangfabao, and when funds are needed (such as for stock trading), the system will automatically redeem Guangfabao.

Insurance Brokerage

The Group's subsidiary, GF Wealth Management, is an insurance broker licensed by the IA that is capable of directly selling and representing Hong Kong insurance products. GF Wealth Management acts as an agent for insurance products from a broad range of financial institutions, covering a full range of insurance products and services including individual health insurance, savings insurance, pensions, premium financing and other insurance services.

Investment Banking

The Group operates its investment banking business primarily through its wholly-owned subsidiary GF Capital. The Group is dedicated to becoming a trusted partner for companies in the capital and bond markets, offering comprehensive, innovative and tailored financing solutions. It is also committed to providing its clients with a wide range of quality corporate finance services including sponsorship, equity underwriting, debt underwriting and advisory services. Its clients mainly operate in TMT, consumer, healthcare and advanced manufacturing sectors.

Through the Group's expertise and extensive project experience and by sharing resources and technologies between the interconnected capital markets of the PRC and Hong Kong, the Group provides comprehensive and innovative services and advice for its clients from an international perspective with local insights.

Over the years, the Group has generated stable revenue streams in the investment banking industry in Hong Kong. For the years ended 31 December 2018, 2019 and 2020, the Group's investment banking business generated revenue of HK$92.7 million, HK$82.5 million and HK$89.8 million, respectively, accounting for 7.0 per cent., 10.3 per cent. and 9.0 per cent. of the Group's revenue, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group's underwriting fees were HK$32.8 million, HK$61.0 million and HK$33.9 million, respectively.

In 2020, the Group completed 10 equity financing projects (including IPO) which raised approximately HK$29.6 billion. In the same year, the Group also completed 26 debt financing projects with total issue size of approximately HK$64.5 billion.

The Group's investment banking business includes the following sub-business lines:

Sponsorship

The Group is committed to developing its sponsorship business which primarily includes IPO sponsorship, restructuring and listing planning. It primarily focuses on quality Chinese companies who qualify for and intend to obtain listing on the main board of the HKSE, and who could benefit from a long-term business relationship with the Group'. Over the years, the Group has helped numerous enterprises successfully restructure their businesses and go public, such as GF Securities (stock code: 1776.HK), Poly Property Services Co., Ltd. (stock code: 6049.HK), and 7Road Holdings Limited (stock code: 797.HK).

Equity underwriting

Equity underwriting is one of the core strengths of the Group's investment banking business. The Group participates in IPOs and follow-on equity offerings to assist its clients' equity financing activities. Since its incorporation, the Group has been involved in multiple important equity capital markets projects, acting as joint global coordinator, joint bookrunner and/or joint lead manager. Some of the projects over the years include the listing of GF Securities (stock code: 1776.HK), Poly Property Services Co., Ltd. (stock code: 6049.HK), Impro Precision Industries Limited (stock code: 1286.HK), KangLi International Holdings Limited (stock code: 6890.HK), 7Road Holdings Limited (stock code: 797.HK) and Fusen Pharmaceutical Company Limited (stock code: 1652.HK). The Group has showcased its underwriting strength by introducing well-known investors to the companies raising funds, laying a solid foundation for the subsequent book-building processes. In 2020, the Group began underwriting stock offerings in the U.S.

Debt underwriting

The Group's debt underwriting business mainly focuses on underwriting offshore bond issuances. In particular, the Group focuses on corporate and financial institutions based in the PRC and Hong Kong. The fees from this business are largely determined by the number of deals led, project size, and the Group's role in and contribution to the projects.

In recent years, the Group has actively adapted to the market, consistently enhanced its own business capability and has strived to develop its debt underwriting business. It has not only achieved solid business growth, but also established a positive reputation and brand for its debt underwriting business. Some of the projects over the years include Guangzhou Metro Group Co., Ltd., Wuhan Metro Group Co., Ltd., Shandong Hi-Speed Group Co., Ltd., Greentown China Holdings Limited and Zhuhai Huafa Group Co., Ltd.

Advisory services

The Group also provides various advisory services, including corporate finance advisory on M&A transactions, independent financial advisory, compliance advisory and debt restructuring advisory. Leveraging on its extensive business experience, network and resources, the Group assists its clients in finding transaction opportunities by providing professional advice on transactions such as restructuring and financing.

In recent years, the Group has continuously strengthened its business capabilities in providing advisory services and has committed to provide advisory services to market leading M&A projects and restructuring projects.

Investment Management

The Group's investment management business includes asset management, private fund management and other advisory services on asset management. For the years ended 31 December 2018, 2019 and 2020, the Group's investment management business generated revenue of HK$20.5 million, HK$13.3 million and HK$8.1 million, respectively, accounting for 1.5 per cent., 1.7 per cent. and 0.8 per cent. of the Group's revenue, respectively.

The Group's investment management business includes the following sub-business lines:

Asset Management

The Group operates its asset management business mainly through its wholly-owned subsidiary, namely, GF Asset Management. The Group is committed to offering quality overseas investment solutions to investors while providing tailored solutions for overseas clients that intend to invest in the PRC. It provides a broad variety of global asset allocation solutions for its clients and strives to generate long-term value from its investments.

As at 31 December 2018, 2019 and 2020, the Group's asset management platform had assets under management ("**AUM**") of approximately HK$4.38 billion, HK$2.43 billion and HK$2.24 billion, respectively.

The Group is restructuring its asset management business and planning to provide product lines covering equity, fixed income and alternative products.

The Group provides discretionary account management services to local and foreign institutional clients, as well as high net worth individuals. The Group's professional investment team, upon conducting comprehensive assessment of the investors' risk appetite and liquidity demand, tailors the investment strategy to fit such investors' needs. The feature of discretionary managed accounts allows more flexibility as the corresponding investment strategies can be adjusted in response to the change of market sentiment and etc. The investments' underlying assets include stocks, bonds, money market funds, hedge funds, derivatives, structure products, Exchange Trade Funds and other permitted instruments.

GF Asset Management is one of the first financial institutions in Hong Kong with a PRC background to have obtained a QFII/RQFII qualification. GF Asset Management is managing discretionary accounts with QFII/RQFII features. The QFII/RQFII investments include stocks, bonds and other financial products within Mainland China.

Private Fund Management

The Group operates its private fund management business mainly through its wholly-owned subsidiary GF Investments (Hong Kong). As the dedicated global investment arm of GF Securities, GF Investments (Hong Kong) and its subsidiaries manage multiple private equity funds including cross-border M&A funds and healthcare-focused funds with a focus on new energy, biomedical, healthcare, TMT, advanced manufacturing and consumer goods, covering various stages in the investment cycle.

Leveraging GF Securities' resource network and business platform, the Group integrates its resources to offer value-added services to portfolio companies through multiple channels and design diversified and flexible exit plans that provide desirable returns on investment.

The Group's private fund management business is currently managing the following private equity funds:

- **Global Healthcare Investment Fund**

The Group's global healthcare fund is focused on investing in disruptive medical products and breakthrough technologies in North America, Europe and the Asia-Pacific region. The Group specialises in biopharma, medical device and healthcare IT sectors. The Group has a network of global leading experts in the healthcare industry and equipped with extensive experience in the development and commercialisation of products, the Group is well positioned to access high quality deals and provide actionable insights to portfolio companies.

- **M&A Investment Fund**

The Group's M&A Investment Fund is driven by balanced long-term secular demands with robust growth potentials. With the support from and resources of GF Securities, the Group works with global industry leaders and world class financial institutions to access value-embedded investment opportunities, and endeavour to deliver strong investment returns by enhancing the value of portfolio companies.

Trading and Institution Business

The Group's trading and institution business includes FICC, GM and other investments including seed money investments in funds. For the years ended 31 December 2018, 2019 and 2020, the Group's trading and institution business generated interest income of HK$594.6 million, HK$335.8 million and HK$388.9 million, respectively, accounting for 44.7 per cent., 41.8 per cent. and 39.1 per cent. of the Group's revenue, respectively.

The Group's trading and institution business includes the following sub-business lines:

Fixed Income, Currencies & Commodities ("FICC")

The Group's FICC portfolios cover a range of regions, industries, currencies and asset classes. Its asset allocation involves multiple countries and covers diversified investments such as bonds, fixed income related products and alternative investments. In the future, FICC will be more integrated with investment management business to enhance the synergy and improve the efficiency of funding.

As one of the first participants of the Bond Connect program in July 2017, the Group's counterparties cover institutions in the PRC and overseas, and International Swaps and Derivatives Association (ISDA) or Global Master Repurchase Agreement (GMRA) counterparties, including top-tier investment banks and brokers.

The Group invests in offshore bonds and alternative credit investment products issued by PRC companies as well as bonds issued by companies across different countries. The Group conducts research on the markets and investment targets and provides asset allocation advice to the investment team.

Global Markets ("GM")

The Group provides its clients with structured investment and risk management solutions through a variety of derivative instruments as well as its diversified services such as structured notes, asset securitisation, cross-border return swap, stock and bond trading services and A-share and H-share research services.

Members of the GM's professional team are based in Beijing, Shanghai, Guangzhou, Shenzhen and Hong Kong to provide services for institutional investors in China (including Hong Kong and Taiwan) and various other countries such as Korea and Singapore.

The Group's global markets business mainly cover the following types of products and services:

- **Structured Notes**

  The Group offers a variety of structured products to its clients, including non-leveraged notes, leveraged notes, exchange rate hedging notes and short-term financing notes. Through linking different types of assets with customised note structures, the Group strives to provide investors with flexible one-stop investment and risk management solutions.

- **Asset Securitisation**

  The Group uses asset-backed securities ("**ABS**") as underlying assets to issue structured notes and provides customers with investment opportunities in ABS in China and abroad. It allows investors to choose ABS at different levels based on their own appetite for risks and returns.

- **Cross-border Return Swap**

Through linking domestic and overseas assets with derivative contracts, the Group designs cross-asset products through cross-border channels and assists southbound and northbound funds in seizing cross-border investment opportunities and meeting risk hedging needs.

- **Stock and Bond Trading Services**

The Group provides clients with stock and bond trading services covering major capital markets in the Asia-Pacific region. It also provides services such as block trading of A-shares and H-shares, full circulation of H-shares, exchange-traded funds and securities lending.

- **A-share and H-share Research Services**

The Group also provides integrated A-share and H-share research services. The Group works together with its experienced A-share research team to provide institutional investors with investment research services in multiple areas, covering major companies listed in the PRC and Hong Kong. The Group has also developed a global research report publication platform, being the first of its kind among investment banks with a PRC background.

REGULATORY REQUIREMENTS AND COMPLIANCE

The Group is primarily subject to the regulatory regime in Hong Kong, as well as the requirements set out by various professional industry bodies as set out below.

SFC AND HKSE

Due to the licensing regime in Hong Kong, in order to engage in the business of the Group, such as brokerage and dealing, corporate finance and asset management, the relevant entities within the Group and their responsible personnel are required to maintain the relevant licences granted by the SFC and to be in compliance with all applicable regulatory requirements.

Apart from the SFC, the Group's licensed entities and their licensed personnel are required to comply with Hong Kong subsidiary legislation and regulations, codes and guidelines developed by the SFC, as well as rules and regulations introduced and administered by the HKSE. Any broker-dealer that intends to operate a brokerage business for products available on Hong Kong Exchanges and Clearing Limited or which uses the trading facilities of the HKSE, must be admitted and registered as an Exchange Participant (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong).

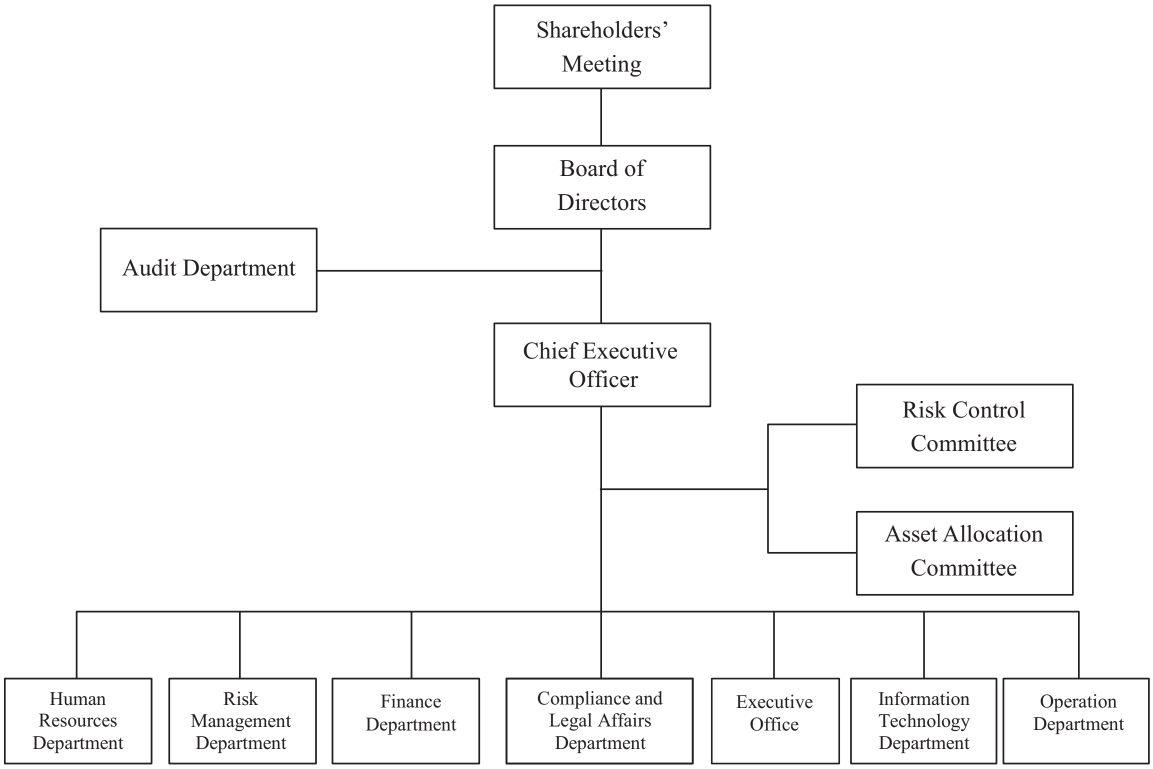
Insurance Ordinance

The Insurance Ordinance (along with its subsidiary legislation) (Cap. 41) of Hong Kong is the principal legislation to regulate the insurance industry in Hong Kong. The regulatory framework applicable to insurers and insurance intermediaries in Hong Kong is set out in the Insurance Ordinance. GF Wealth Management has obtained an insurance intermediary licence to carry out insurance intermediary business in accordance with the Insurance Ordinance. GF Wealth Management is regulated by the IA, a regulatory body set up under the relevant laws.

CORPORATE GOVERNANCE STRUCTURE

The Company has established a sound corporate governance structure comprising the board of shareholder, board of directors, risk control committee, asset allocation committee and operating management entities.

The following diagram sets forth a simplified corporate governance structure of the Company as at the date of this Offering Circular:



RISK MANAGEMENT

The Group's management believes that an effective risk management is important to enhance the company's core competitiveness and maintain a sound operation. As such, the Group has developed a comprehensive and stringent risk management framework in line with the international practices as the basis for risk management, which includes a three-tier system for risk management and three lines of defence for risk control in line with its risk management infrastructures.

The Group's risk management has been classified as market risk, credit risk, liquidity risk, operational risk, legal and compliance risk, model risk and reputational risk.

Risk Appetite, Risk Management Framework and Infrastructure

The Group's overall risk appetite is prudent, implementing proactive market risk and credit risk management, stable liquidity risk management, conservative operational risk and legal and compliance risk management, 'zero-tolerance' reputational risk management.

The Group's risk tolerance is established starting from group's overall risk appetite and embodied in a set of quantitative risk indicators. Top-down approach attributes group risk tolerance to each business unit, forming risk management policy and operation procedure covering each business line, including risk limits, approved product list, risk incidents reporting etc.

The Group's risk management framework is embodied by the three-tier system, with the Board being the first tier, and the Group's senior management together with the Group's Asset Allocation Committee and the Risk Control Committee as the second tier, whereas the executing units, including all business units, business supporting and controlling departments, together constitute the third tier. The Board determines the Group's risk management strategies, including risk appetite and tolerance, as well as guiding principles for overall risk management. The senior management, the Asset

Allocation Committee, and the Risk Control Committee are responsible for and guiding the implementation of the Group's risk management strategies as well as the formulation and execution of overall risk management policies, while all the business units within the Group constitute the main body for implementing the risk management policies and procedures.

The three lines of defence are constructed as all the business units as the first line of defence, the risk management department and the compliance and legal department as the second line of defence, the internal audit department as the third line of defence.

The Group has its own risk management system as the risk infrastructure, which has integrated risk data from all business lines and subsidiaries, as to provide a full-coverage in the risk measurement of multi-asset class. The system is utilized to monitor multi-dimension risk limits of relevant business and alert would be provided once there are any limit breach events. Regular risk monitoring reports could be generated by the system automatically.

Financial Risk Management

The Group continues to manage and monitors the Group's exposures to various financial risks to ensure appropriate measures are implemented in a timely and effective manner.

Market Risk

The Group's activities expose it primarily to the market risk of changes in interest rates, credit spreads, equity prices and foreign exchange rates. The Group has developed a comprehensive set of policies, procedures and systems for market risk management, enabling full coverage of the basic components of market risk management. As to mitigate market risk, the Group has conducted hedging strategies to mitigate interest rate risk, foreign exchange rate risk, etc.

Credit Risk

Credit risk generally refers to risk that financial loss arises from the failure of a client or counterparty to meet its obligations under a transaction. In order to minimise the Group's credit risk, the Group reviews the recoverable amount of trade receivables and loan receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and IT systems, or from external events. The Group performs operational risk management based on actual business conditions. Future development of new businesses of the Group requires operational risk analyses and control measures in such areas as workflow, manpower configuration, system operation and risk control. As for existing business lines, the respective workflow and risk management measures are reviewed and updated from time to time or when necessary to ensure effective management and availability of monitoring measures.

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Group manages liquidity risk by maintaining adequate reserves and sufficient level of bank balances and facilities. Internally generated cash flow is one of the main sources of funds to finance the operations of the Group. The Group maintain good relationship with different major financial institutions and have large amount bank facilities. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

Model Risk

Model Risk refers to the risk of loss resulting from using insufficiently accurate valuation models of financial instruments to make decisions. In order to minimise the Group's model risk, the Group has developed a comprehensive policy to control the lifecycle of financial models, such as model rating, model validation and model review process.

Reputational Risk

Reputational risk refers to negative public opinions or comments in relation to the Group's operations, management and other behaviours or external events, which cause/may cause damage of, and have adverse impact on, the Group's reputation and brand image ultimately. The Group attaches great importance to reputational risk management and maintains a robust reputational risk management mechanism. By including reputational risk management into the Group's comprehensive risk management system, the Group ensures preventive approach and contingency plan are in place, and can respond in an efficient and effective manner to any incident that may affect the reputation of the Group.

Legal and Compliance Risks

Compliance risk refers to the risk of loss due to failure to act in accordance with relevant regulations, internal policies or prescribed best practices. Legal risk refers to the risk of loss result from lack of awareness or misunderstanding of, or ambiguity in, the way law and regulation apply to our business. The Group attaches great importance to legal and compliance risk management and maintains robust legal and compliance policies to properly and effectively manage the legal and compliance risks of the Group.

CAPITAL MANAGEMENT

The Group's primary objective in capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholder value. In addition, several subsidiaries of the Group licensed by the SFC are obliged to meet regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules at all times. The Group's strategy is to maintain a solid capital base to support the operations and business development in the long term.

EMPLOYEES

As at 31 December 2020, the Group had a total of approximately 300 employees. The Group has maintained good working relationships with its employees and does not foresee any difficulties in the recruitment and retention of experienced staff. Except as disclosed in " - Legal Proceedings", as of the date of this Offering Circular, the Group does not have other labour disputes that may have material adverse effect to the operation and performance of the Group. To ensure the high quality of its employees and the services provided by the Group, the performance of the Group's employees is assessed using both qualitative and quantitative measures, where assessment indicators, criteria and weightings aligned with that used by the GF Securities group to ensure a streamlined and uniform approach across the GF Securities group. In addition, the Group is committed to developing and nurturing the talent of its employees through the provision of appropriate training and seminars, business cooperation and staff secondment opportunities.

REGISTERED OFFICE

The registered office of the Company is located at 29-30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

INFORMATION TECHNOLOGY

The Group's information technology department is responsible for designing, developing, operating and maintaining the computer systems of the Group. It aims to deliver secure and reliable systems to support the Group's business operations. It also maintains provision of necessary infrastructure for the business needs and development of the Group.

The Group's information technology systems support transaction management, customer service, risk management, investment, accounting and internal enterprise management functions. The Group aims to maintain its information and systems security by adopting common and up-to-date information security techniques, such as firewalls and intrusion detection systems. The Group strives to enhance its customer experience and service, provide flexibility for future business needs, respond to market development trends and increase its competitiveness in the markets where it operates.

INSURANCE

The Group maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as financial institutions civil liability insurance, office premise and property damage insurance, employee compensation insurance, life and personal accident insurance, medical insurance and travel insurance. The Group's insurance coverage is provided by reputable companies with commercially reasonable limits and deductibles on coverage and complies with the statutory requirements in Hong Kong. The Group believes that its insurance coverage is sufficient for its present purposes and will obtain more insurance coverage when the Group think it is necessary. The Group periodically reviews its insurance coverage to ensure that it has adequate coverage for its business.

The SFIR provides insurance requirements applicable to corporations licensed for certain regulated activities. Except in the case of an exemption, a corporation involved in Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) or, Type 8 (Securities Margin Financing) regulated activities is required to take out specified amounts of insurance for certain specified risks. The Group has one subsidiary, GF Brokerage, which is involved in and possesses licences to engage in Type 1 (Dealing in Securities) regulated activities and the subsidiary has obtained and continues to maintain insurance coverage that fully complies with the SFIR.

According to Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules, a licensed insurance broker company must maintain a professional indemnity insurance policy that provides coverage for claims made against the company for liabilities arising from breaches of duty in the course of carrying on its regulated activities. GF Wealth Management is a licensed insurance broker company and subscribes sufficient insurance coverage amount that complied with requirements.

Please see "*Risk Factors — Risks Relating to the Group's Business — Risks relating to the management of the Group - The Group may not have adequate insurance to cover all potential liabilities or losses*" for a discussion of the risks associated with the Group's insurance coverage.

LEGAL PROCEEDINGS

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its operations.

A controlled investment fund of the Group named GTEC Pandion Multi-Strategy Fund SP (the "**Fund**"), which mainly invests in FX derivatives, was established in 2016 in accordance with the laws of Cayman Islands. Since 2018, the Fund has suffered significant losses due to severe market volatility and liquidity issue. The Group anticipates that potential litigation may arise against the

Group's subsidiaries and the Group recognised a provision of U.S.$58 million as at 31 December 2020. For further details, see note 44 and note 47 in the consolidated financial statements of the Company for the years ended 31 December 2019 and 2020, respectively, included elsewhere in this Offering Circular.

There is a dispute for compensation in relation to a former employee of a subsidiary of the Company against the subsidiary in Hong Kong (who was the employer). The dispute is at an early stage and the subsidiary is waiting for the parties to fully exchange court documents to estimate the effect of the proceedings.

In 2020, a former employee of GF Securities (Canada) Co. Ltd. submitted a Notice of Civil Claim to Supreme Court of British Columbia. In response, GF Securities (Canada) Co. Ltd. has submitted Response to Civil Claim to the Court in January 2021 and the documents related to this matter have been disclosed to the Court in April 2021. As of the date of this Offering Circular, the litigation has not been set dates for examinations or for a trial.

Two subsidiaries of the Group are currently the respondents in an arbitration brought by a party alleging that the respondents breached the limited partnership agreement in relation to the claimant's request for distribution in-kind of the claimant's shares. The two subsidiaries of the Group disagreed with the claimant and submitted their defence against the allegation. The directors of the two subsidiaries of the Group believe the subsidiaries have a valid defence against the allegation but it is not practical to estimate the potential effect of the claim as at the date of this Offering Circular. See also note 48 in the consolidated financial statements of the Company for the year ended 31 December 2020 for further details.

Except as disclosed in this Offering Circular, there are no current litigation or arbitration proceedings against the Group which could have a material adverse effect on the Group's business, financial condition or results of operations as at the date of this Offering Circular. In addition, except as disclosed in this Offering Circular, as at the date of this Offering Circular, the Company is not aware of any pending or threatened litigation or arbitration proceedings against the Group, which could have a material adverse effect on the Group's business, financial condition or results of operations.

DIRECTORS AND SENIOR MANAGEMENT

As at the date of this Offering Circular, the members of the board of directors and senior management of the Company are as follows:

BOARD OF DIRECTORS

Name	Position
Qin Li (秦力)	Chairman
Lin Xianghong (林向紅)	Vice Chairman
Shen Minggao (沈明高)	Director, Chief Executive Officer
Zhang Wei (張威)	Director
Xin Zhiyun (辛治運)	Director
Ouyang Xi (歐陽西)	Director
Luo Binhua (羅斌華)	Director

Mr. Qin Li has been a director of the Company since September 2006 and chairman of the Company since May 2019. Mr. Qin Li has been appointed as executive director of GF Securities since April 2011 and chief officer of GF Securities since December 2020. His primary working experience includes: standing deputy general manager at the department of investment banking administration, general manager of the investment management department, general manager of capital operation department, general manager of planning and management department, general manager of investment department, assistant to the general manager, deputy general manager and standing deputy general manager of GF Securities since March 1997, chairman of GF Xinde from May 2010 to August 2013, chairman of the board of Guangdong Equity Exchange Co., Ltd. from September 2013 to April 2017 and chairman of GF Asset Management from June 2018 to October 2019. Mr. Qin Li has been a director of E Fund since May 2012. Mr. Qin Li obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1992, a master's degree in commercial economics from Jinan University in Guangzhou in June 1995, a doctorate degree in economics from Renmin University of China in Beijing in July 2003 and completed a senior management executive master of business administration course from Cheung Kong Graduate School of Business in Beijing in September 2013.

Ms. Lin Xianghong has been appointed as vice chairman of the Company since April 2017. She was in charge of the establishment of the Company from January 2006 to January 2007. She was then appointed as chief executive officer of the Company from February 2007 to April 2017, while also acting as general manager of International Business Department at GF Securities from May 2012 to September 2017. Prior to joining the Company, Ms. Lin worked at GF Fund Management Co., Ltd, GF Securities and Guangdong Intl. Trust & Investment Corp respectively. Ms. Lin Xianghong obtained a bachelor's degree in finance from Nankai University in Tianjin and an executive master of business administration degree from Hong Kong University of Science and Technology.

Dr. Shen Minggao has been appointed as chief executive officer of the Company since 2019. He joined GF Securities in June 2017 as chief economist and then global chief economist in 2020. Prior to joining GF, he served as chairman and chief economist at CEBM, Caixin Insight Group, between 2015 and 2017. He was the managing director, head of China Research, and Greater China chief economist at Citigroup Global Markets Asia Limited between 2009 and 2015. He was chief economist at CAIJING magazine from 2008 to 2009. He took the role of chief economist and director of Economic and Market Analysis at Citibank (China) Co. Ltd between 2005 and 2008. He taught at

China Center for Economic Research, Peking University, where he was associate professor from 2002 to 2005. Dr. Shen also worked as a research fellow at two government policy arms from 1988 to 1994, the Research Center for Rural Development, and Development Research Center, both under the State Council. Dr. Shen Minggao received his doctorate degree in economics from Stanford University in the United States in 2001.

Mr. Zhang Wei has been a director of the Company since June 2015 and has been appointed as deputy general manager of GF Securities since May 2014. His primary working experience includes: treasury manager of the trust fund department of Anhui International Trust & Investment Company from July 1998 to June 2002, business manager of our investment banking department of GF Securities from July 2008 to February 2009, deputy general manager of the debt underwriting department of GF Securities from February 2009 to January 2010, the general manager of the debt underwriting department of GF Securities from January 2010 to March 2013 (he concurrently served as deputy general manager of investment banking business management headquarters from January 2010 to February 2011 and general manager of fixed income headquarters from February 2011 to May 2012), co-general manager of investment banking department of the headquarters from April 2013 to June 2014, assistant to general manager of GF Securities from January 2011 to August 2014, chairman of GF Asset Management from August 2014 to May 2017, and chairman of GF Hexin from August 2015 to October 2019; Mr. Zhang Wei has been a director of China Securities Credit Investment Co., Ltd. (中證信用增進股份有限公司) since May 2015 and chairman of GFFL since June 2015. Mr. Zhang Wei obtained a bachelor's degree in Economics from Anhui University in Hefei in June 1998, a master's degree in economics from Fudan University in Shanghai in June 2005 and a doctorate in economics from Renmin University of China in Beijing in July 2008.

Mr. Xin Zhiyun has been a director of the Company since May 2019 and has been appointed as deputy general manager of GF Securities and chief information officer of GF Securities since July 2021 and May 2019, respectively. His primary working experience includes: software engineer and editor of the Higher Education Press from July 1995 to January 1998; principal staff member and deputy director of the Information Center of China Securities Regulatory Commission, deputy director of the general office, director-level consultant, director-level consultant (in charge) and director of the audit office of the institutional supervision department of China Securities Regulatory Commission successively from February 1998 to September 2008; member of CPC Committee, vice president, chief risk officer, chief compliance officer of Essence Securities Co., Ltd. from October 2008 to June 2018, concurrently served as director of Essence Capital Co., Ltd., of which concurrently served as finance manager of Essence Securities Co., Ltd. from August 2011 to September 2013. He served as chief risk officer from June 2018 to July 2021. Mr. Xin Zhiyun obtained a bachelor's degree in Engineering from North China University of Technology in Beijing in July 1992, a master's degree in Education from Beijing Normal University in July 1995, and a doctorate degree in engineering from Tsinghua University in January 2008.

Mr. Ouyang Xi has been a director of the Company since September 2006 and has been appointed as chief officer of GF Securities since December 2020. His primary working experience includes: library assistant at the Guangdong Mechanics College (now known as Guangdong University of Technology) from July 1989 to August 1992, deputy general manager and managing deputy general manager of the investment banking department of GF Securities from July 1995 to February 2001, general manager of the proprietary trading department of GF Securities from February 2001 to January 2003, standing deputy general manager of the investment banking head office of GF Securities from January 2003 to January 2004, chief financial officer of GF Securities from January 2004 to March 2006, deputy general manager of GF Securities from November 2004 to December 2020, deputy general manager and secretary of the Board of Directors of GF Securities from July 2005 to November 2009 and director of GF Fund from March 2005 to June 2007. He has been appointed as chairman of GF Hexin since October 2019. Mr. Ouyang Xi obtained a bachelor's degree in science from Wuhan University in July 1989 and a master's degree in economics from Jinan University in Guangzhou in June 1995.

Mr. Luo Binhua has been a director of the Company since July 2011. His primary working experience includes: clerk of the production output office of the Rural Social and Economic Survey Team of Jiangxi Province (now known as the Jiangxi Chief Survey Team of the National Bureau of Statistics) from June 1988 to September 1991, manager, deputy general manager and general manager of the investment banking department of GF Securities from December 1993 to January 2004, and assistant to general manager and general manager of investment banking head office of GF Securities from January 2004 to November 2009, secretary to our Board from November 2009 to April 2019, and joint company secretary of GF Securities from November 2014 to April 2019. He was chairman of GF Xinde from December 2008 to May 2010 and from August 2013 to June 2015, a director of GF Asset Management from January 2014 to May 2017, chairman of GF Qianhe from September 2017 to June 2020 and deputy general manager of GF Securities from November 2009 to July 2021. Mr. Luo Binhua obtained a bachelor's degree in Agriculture from South China Agricultural University in Guangzhou in July 1988, a master's degree in economics from Jinan University in Guangzhou in June 1994 and an executive master of business administration degree from the Hong Kong University of Science and Technology in June 2012.

SENIOR MANAGEMENT

Name	Position
Shen Minggao (沈明高)	Chief Executive Officer
Wang Yue (王玥)	Deputy Chief Executive Officer
Cui Zhouhang (崔舟航)	Chief Risk Officer
Edward Wu (吳德華)	Financial Controller
Edmond Ching (程志強)	Head of Legal and Compliance

For the detailed biographies of Dr. Shen Minggao, please refer to "*Board of Directors*" above. The Biographies of other senior management personnel are as follows:

Ms. Wang Yue has been appointed as deputy chief executive officer of the Company since 2015, in charge of brokerage business. She joined GF Hong Kong in May 2012 and was managing director of GF Securities (Hong Kong) Brokerage Limited between 2012 and 2015. Prior to joining GF, she served as head of Shenzhen Branch, International Business Department at China Merchants Securities and general manager of China Merchants Zhiyuan Consulting Service Company (Shenzhen) between 2006 and 2012. Ms. Wang Yue received a bachelor's degree in Economics from Lanzhou University in 1995. She completed the Business Administration Program of Guanghua School of Management, Peking University in Beijing in 2004, and obtained an executive master of business administration degree from Hong Kong University of Science and Technology in 2016.

Mr. Cui Zhouhang was designated by GF Securities head-office to take the responsibility of chief risk officer of the Company on 5 March 2019 and has formally become chief risk officer of the Company since 28 June 2019. He joined GF Securities in August 2012 and is currently deputy general manager of Risk Management responsible for comprehensive risk management responsibilities with GF Securities head-office. Mr. Cui Zhouhang served as assistant general manager of Risk Management with GF Securities between 2015 and 2018, manager/team leader of Risk Management with GF Securities between 2012 and 2015 and assistant manager / manager of Commercial Banking, South China business with Citibank (China) Co., Ltd. between 2009 and 2012. Mr. Cui Zhouhang received dual bachelor's degrees in Computer Science & Technology and Economics from Peking University in Beijing in 2006. And he also received a master' degree in economics from Peking University as well as a master's degree in finance from the University of Hong Kong in 2009.

Mr. Edward Wu is currently the financial controller of the Company. He joined GF Securities in June 2009 and was transferred to the Company in October 2013. He previously worked in Finance Department of GF Securities head-office between 2009 and 2013. Prior to joining GF, he worked at PricewaterhouseCoopers between 2007 and 2009. Mr. Edward Wu received his dual bachelor's degrees in international accounting and law at Shanghai University of Finance and Economics in 2005. He also received a master's degree in accounting at Shanghai University of Finance and Economics in 2007.

Mr. Edmond Ching joined the Company in November 2017 and is currently the managing director and head of legal and compliance of the Company. Prior to joining the Company, he worked as executive director, head of investment banking, research and control room compliance (Asia ex Japan) with Nomura International Asia between 2011 and 2017, head of research supervision & supervisory analyst (Asia Pacific), head of research compliance / regional compliance operation manager and global research compliance Hong Kong team head with Bank of America Merrill Lynch between 2005 and 2011. He was vice president and had various working experience relating to research compliance, asia credit trading and asia pacific debt finance at Merrill Lynch (Asia Pac) between 1999 and 2002 and was vice president, supervisory analyst, Asia researcher at Citi Group / Smith Barney between 2002 and 2005. He received his master of philosophy (in economics) from The Chinese University of Hong Kong in 1996.

DESCRIPTION OF THE LC BANK

The information included in this Offering Circular regarding Nanyang Commercial Bank Limited is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that are referenced in this Offering Circular but is not separately included in this Offering Circular shall not be deemed to be incorporated by reference to this Offering Circular. The Group has taken reasonable care in the compilation and reproduction of the information. However, none of the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents and advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

Founded in Hong Kong on 14 December 1949, Nanyang Commercial Bank Limited (the "**LC Bank**") is one of the oldest local banks in Hong Kong, with nearly 70 years of operating history, highly recognised brand awareness, extensive branch network, stable and loyal customer base, expertise in providing cross-border services and robust financial conditions. In 2016, the LC Bank became a wholly owned subsidiary of China Cinda Asset Management Co., Ltd. ("**China Cinda**"), a leading integrated financial conglomerate in the PRC, which is 58 per cent. owned by the Ministry of Finance of the PRC as at 31 December 2020.

The LC Bank has cherished the spirit of "Customer-Oriented and Courteous Service" and upheld the principle of "Reputation First and Service-Driven". While establishing a strong foothold in Hong Kong with the support of the mainland China, the LC Bank has taken on the mission to look globally and serve customers around the world. The LC Bank has become a bank of Hong Kong with considerate size and strength, with 42 branches in Hong Kong as well as 38 branches in mainland China. Customers may withdraw, deposit and transfer funds via mobile banking or internet banking, as well as any branches of the LC Bank. In addition, customers can also enjoy convenient banking services through JETCO automatic teller machines with the withdrawal cards issued by the LC Bank.

The LC Bank offered a broad range of banking and related financial services and its quality services have received various awards and recognition. The LC Bank was granted three Financial Education Leadership Awards by the Institute of Financial Planners of Hong Kong, including the prestigious "Best Corporate Financial Education Leadership of the Year", "Corporate Financial Education Leadership — Gold Award" and "Accredited Professional Financial Planning Firm"; received "Excellent Brand of Cross Border Personal Banking Services" and "Excellent Brand of Cross Border Corporate Banking services" at the Hong Kong Leaders' Choice Brand Awards ceremony; received "Excellence Award for Cross Border Financial Services" at the "Banking & Finance Awards 2020" organised by Sky Post; and received "Best SME's Partner Award" from the Hong Kong General Chamber of Small and Medium Business. In addition, The LC Bank won 12 individual awards at the 13th HKIB OFMP Awards and was awarded anew "Top Nominations Award".

Since the acquisition in May 2016, integration of the LC Bank and China Cinda has been carried out in an orderly manner to achieve the LC Bank's stable operation, performance improvement and in-depth integration with China Cinda's business. China Cinda is expected to continue to support the LC Bank's business development and release business potential of the LC Bank via synergies between the LC Bank and China Cinda in the areas including but not limited to customer resources synergy, product innovation synergy, business network synergy, management and operational team synergy, business sector synergy and risk management synergy. The LC Bank is benefited from the strong synergy of businesses in Hong Kong and the PRC. The consolidated deposits, consolidated total assets, consolidated advances and other accounts and consolidated total equity of the LC Bank have all increased steadily since 2016 to 2020. As of the end of December 2020, the after-tax profit of the LC Bank reached an average compound annual growth rate of 9% compared with 2016, which continued to increase the contribution of profit growth. The LC Bank is continuously practicing the business philosophy of cultural synergy and "One Bank" principle and has achieved great results. For example, the LC Bank created flexible cross-border loan solutions to meet the business needs of customers, including: research and development of the "plan for purchasing properties in the Greater Bay Area", the introduction of personal "wealth management mutual recognition" services in the Greater Bay Area and the "Shenzhen and Hong Kong Pass" service. During the pandemic, the LC Bank launched personal offshore-deposit-onshore-loan business for the very first time.

The LC Bank publishes its annual consolidated audited financial statements of each financial year, as well as its semi-annual interim report of the six months ended 30 June of each year, together with the audit or review reports prepared in connection therewith, on its website at https://www.ncb.com.hk and the website of the Hong Kong Monetary Authority at https://www.hkma.gov.hk. These financial statements and reports are deemed to be incorporated in, and to form part of, this Offering Circular, and may be obtained without charge from these websites.

TAXATION

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

BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands. Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands.

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

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

HONG KONG

Withholding Tax

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

Profits Tax

Under the Inland Revenue Ordinance (Chapter. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

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

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

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

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

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to 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 Inland Revenue Ordinance) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

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

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "*Taxation — PRC*" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer or the Company is within the territory of PRC, the Issuer or the Company may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income. At the date of this Offering Circular, neither the Issuer nor the Company has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer or the Company will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer or the Company is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer or the Company would be required to withhold income tax from the payments of interest or premium (if any) in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Bondholders and 20 per cent. in the case of non-resident individuals, unless a lower rate is applicable. The Issuer or the Company (as the case may be) has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

To the extent that the PRC has entered into arrangements relating to the avoidance of double income taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of PRC income taxes, such lower rate may apply to qualified non-PRC resident enterprise Bondholders or individual Bondholders. However, it is unclear whether in practice non-PRC Bondholders might be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

According to Circular 36, which was amended on 11 July 2017 and 20 March 2019, VAT is applicable where entities or individuals provide financial services such as providing loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. Circular 36 further clarifies that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Bonds may be treated as the Bondholders providing loans to the Issuer, which will be regarded as providing financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, Bondholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Bondholders may be subject to withholding VAT at the rate of 6 per cent. In addition, the holders of the Bonds shall also be subject to the local levies at approximately 12 per cent. of the VAT payment. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, the Issuer and Company will be required to pay additional amounts with respect to any such PRC withholding taxes. The requirement to pay additional amounts will increase the cost of servicing the Bonds and will adversely impact the cash flows of the Issuer and Company. In addition, if any PRC tax is imposed on the disposition of the Bonds, an investor's investment return would be materially and adversely affected.

SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement with the Joint Lead Managers dated 8 September 2021 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

	Joint Lead Managers	**Principal amount of Bonds to be subscribed**
		(U.S.$)
1.	GF Securities (Hong Kong) Brokerage Limited	26,000,000
2.	Nanyang Commercial Bank, Limited	10,000,000
3.	Bank of China (Hong Kong) Limited	10,000,000
4.	Bank of Communications Co., Ltd. Hong Kong Branch	10,000,000
5.	China CITIC Bank International Limited	10,000,000
6.	China Construction Bank (Asia) Corporation Limited	10,000,000
7.	The Hongkong and Shanghai Banking Corporation Limited	10,000,000
8.	Industrial and Commercial Bank of China (Asia) Limited	10,000,000
9.	Industrial Bank Co., Ltd. Hong Kong Branch	10,000,000
10.	Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	10,000,000
11.	Standard Chartered Bank	10,000,000
12.	ABCI Capital Limited	6,000,000
13.	Agricultural Bank of China Limited Hong Kong Branch	6,000,000
14.	BOCOM International Securities Limited	6,000,000
15.	BOSC International Company Limited	6,000,000
16.	CCB International Capital Limited	6,000,000
17.	Central Wealth Securities Investment Limited	6,000,000
18.	Changjiang Securities Brokerage (HK) Limited	6,000,000
19.	China Everbright Bank Co., Ltd., Hong Kong Branch	6,000,000
20.	China Industrial Securities International Brokerage Limited	6,000,000
21.	China International Capital Corporation Hong Kong Securities Limited	6,000,000
22.	China Merchants Securities (HK) Co., Limited	6,000,000
23.	China Minsheng Banking Corp., Ltd., Hong Kong Branch	6,000,000
24.	CMB International Capital Limited	6,000,000
25.	CMBC Securities Company Limited	6,000,000
26.	CMB Wing Lung Bank Limited	6,000,000
27.	CNCB (Hong Kong) Capital Limited	6,000,000
28.	DBS Bank Ltd.	6,000,000
29.	Guosen Securities (HK) Brokerage Company, Limited	6,000,000
30.	Guotai Junan Securities (Hong Kong) Limited	6,000,000
31.	Guoyuan Capital (Hong Kong) Limited	6,000,000
32.	Haitong International Securities Company Limited	6,000,000
33.	Huatai Financial Holdings (Hong Kong) Limited	6,000,000
34.	ICBC International Securities Limited	6,000,000
35.	NATIXIS	6,000,000
36.	Shenwan Hongyuan Securities (H.K.) Limited	6,000,000
37.	Soochow Securities International Brokerage Limited	6,000,000
38.	SPDB International Capital Limited	6,000,000
39.	TFI Securities and Futures Limited	6,000,000
40.	Zhongtai International Securities Limited	6,000,000
	Total	300,000,000

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

The Joint Lead Managers and certain of their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer, the Company and/or the Company's subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Company and/or the Company's subsidiaries in the ordinary course of business.

Part of the net proceeds from the offering of the Bonds may be used for repayments of existing borrowings (including borrowings from some of the Joint Lead Managers), e.g. to repay/refinance the outstanding amount under a facility agreement dated 28 December 2018 entered into by the Company and, inter alia, Bank of China (Hong Kong) Limited, China CITIC Bank International Limited, China Construction Bank (Asia) Corporation Limited, Nanyang Commercial Bank, Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for their own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for their own account such securities and any securities of the Issuer or the Company and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Bonds for their own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of their or their subsidiaries or associates at the same time as the offer and sale of the Bonds 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 Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in doing so, such Stabilisation Manager or any person acting on behalf of such Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that a Stabilisation Manager or any person acting on its behalf will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Joint Lead Managers in the manner agreed between them.

General

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

No action has been or will be taken in any jurisdiction by the Issuer, the Company or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Company or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Company or the Joint Lead Managers. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer and the Company in such jurisdiction.

United States

The Bonds and the Standby Letter of Credit have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act.

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

(i) it and its affiliates has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S; and

(ii) neither it nor any of its affiliates (nor any person acting on behalf of any Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Bonds.

United Kingdom

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

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

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

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to Professional Investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of 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 Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors as defined in the SFO and any rules made thereunder.

PRC

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

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, 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 Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(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 of Singapore.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and 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 Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

British Virgin Islands

No invitation shall be made directly or indirectly to the public in the British Virgin Islands to subscribe for any of the Bonds.

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 237959817 and ISIN XS2379598175. The Legal Entity Identifier code of the Issuer is 655600NTG1OU4AB62U93.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue, execution, delivery and performance of its obligations under the Bonds, the Keepwell Deed, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the sole director of the Issuer dated 27 July 2021. The Company has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Keepwell Deed, the Trust Deed and the Agency Agreement. The execution and delivery of the Keepwell Deed was authorised by resolutions of the board of directors and sole shareholder of the Company dated 31 May 2021, respectively.

3. **No Material Adverse Change**: Except for those as disclosed in this Offering Circular, there has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or other), prospects, properties, results of operations, business or general affairs of the Issuer, the Company or the Group since 31 December 2020.

4. **Litigation**: Except as disclosed in this Offering Circular, the Issuer, the Company or any other member of the Group is not involved in other litigation or arbitration proceedings that the Issuer or the Company believes are material in the context of the Keepwell Deed, the Standby Letter of Credit or the Bonds, and so far as the Issuer and the Company are aware, no such proceedings are pending or threatened.

5. **Available Documents**: So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue, at the registered office of the Issuer and, in the case of last four documents mentioned below, following written request and satisfactory proof of holding and identity, at the principal office of the Trustee for the time being (being at the date of this Offering Circular at 6/F, CMB Wing Lung Bank Building, 45 Des Voeux Road Central, Central, Hong Kong) and, the specified office of the Principal Paying Agent during usual business hours (being 9:00 a.m. to 3:00 p.m. (Hong Kong Time), Monday to Friday, except for public holidays), so long as any Bond is outstanding:

   - the articles of association of each of the Issuer and the Company;
   - the Company's financial statements;
   - the Trust Deed;
   - the Keepwell Deed;
   - the Standby Letter of Credit and
   - the Agency Agreement.

6. **Financial Statements**: The Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, the Company's independent auditor, as stated in its reports appearing herein.

7. **Listing of Bonds**: Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the Official List of the SGX-ST.

The Bonds will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as any Bonds 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 the Bonds may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for definitive Certificate(s). In addition, in the event that a Global Certificate is exchanged for definitive Certificate(s), an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificate(s), including details of the paying agent in Singapore.

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Report of the Directors and Audited Financial Statements

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
廣發控股(香港)有限公司

31 December 2020

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REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of GF Holdings (Hong Kong) Corporation Limited 廣發控股(香港)有限公司 (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2020. The Company is exempted from the preparation of a business review under the Hong Kong Companies Ordinance as it is a wholly owned subsidiary of another body corporate in the financial year.

Principal activities
The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 38 to the consolidated financial statements. There were no significant changes in the nature of the Company's principal activities during the year.

Dividends
The directors do not recommend the payment of any dividend in respect of the year.

Share capital
Details of the share capital of the Company during the year are set out in Note 37 to the consolidated financial statements. There were no movements in the Company's share capital during the year.

Directors
The directors of the Company during the year and up to the date of this report were:

Qin Li
Ou Yang Xi
Luo Binhua
Zhang Wei
Lin Xianghong
Shen Minggao
Xin Zhiyun

In accordance with the provisions of the Company's articles of association, all directors retire and, being eligible, offer themselves for re-election. The names of directors who have served on the boards of the subsidiaries of the Company (not including those directors listed above) during the year and up to the date of this report are set out below:

Ao Xiaomin	
Chen Chongyang	
Chen Lu	(resigned on 9 July 2020)
Chen Yinghui	
Chen Yingying	(appointed on 22 March 2021)
Cong Lu Feng	(resigned on 5 May 2020)
Deng Yun	(appointed on 9 July 2020)
Gu Weiyan	(resigned on 18 May 2020)
Jin Bo	
Kam Ka Wah	(resigned on 16 February 2021)
Lau Chung Hing, Sammy	(resigned on 13 January 2020)
Lau Yuen Hung	(resigned on 7 December 2020)
Lee Wing Chun, Vincent	
Li Li	(resigned on 23 April 2020)
Li Yuanyuan	(appointed on 8 September 2020)
Liao Zhanhua	(appointed on 17 November 2020)
Lu Jiuzhou	(appointed on 12 February 2021)
Lu Zhengxiong, David	(resigned on 8 September 2020)
Lu Yan	(resigned on 5 March 2020)
Peng Shuqin	
Ren Qun	
Sha Jianyuan	
Siao Andrew Shi	
Tsang Koon Hung	
Wang Xindong	
Wang Yue	
Wang Wei	(appointed on 30 September 2020 and resigned 22 March 2021)
Wen Huiqing	
Xiao Xuesheng	
Yan Ming	(appointed on 18 May 2020)
Ye Yong	
Yiyi Xu	
Zeng Chao	(appointed on 27 April 2020)
Zhao Xiang	(resigned on 30 September 2020)

GF HOLDINGS (HONG KONG) CORPORATION LIMITED

廣發控股(香港)有限公司

REPORT OF THE DIRECTORS (CONTINUED)

Directors' interests
At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts
No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Directors' interests in contracts of significance
No contract of significance, to which the Company, its holding company, any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted indemnity provision
At no time during the year and up to the date of this directors' report, there was, or is, any permitted indemnity provision being in force for the benefit of any of the directors or any associate entities.

Event after the reporting period
Details of the Company's significant event after the reporting period are set out in Note 49 to the consolidated financial statements.

Auditors
Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

沈明高

....

Shen Minggao
Director

Hong Kong

27 APR 2021

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
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Independent auditor's report
To the members of GF Holdings (Hong Kong) Corporation Limited
廣發控股(香港)有限公司
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of GF Holdings (Hong Kong) Corporation Limited 廣發控股(香港)有限公司 (the "Company") and its subsidiaries ("the Group") set out on pages 5 to 83, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
We draw attention to Note 47 of the financial statements which describes the latest development in relation to matters arising from GTEC Pandion Multi-Strategy Fund SP and the associated provision made by the Group. The ultimate outcome rests with the further development of the matters and is uncertain. Our opinion is not modified in respect of this matter.

Information other than the financial statements and auditor's report thereon
The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

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

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

EY 安永

Independent auditor's report (continued)
To the members of GF Holdings (Hong Kong) Corporation Limited
廣發控股(香港)有限公司
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of 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.

Ernst & Young

Certified Public Accountants
Hong Kong
27 April 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 HK$	2019 HK$
REVENUE	4	994,784,133	802,911,646
Other operating income	5	128,867,433	215,063,634
Other gains and losses	6	(25,749,263)	173,220,662
Staff costs	8	(310,580,216)	(297,076,166)
Other operating expenses		(235,588,284)	(698,582,244)
Finance costs	7	(214,981,468)	(319,694,945)
Impairment losses on financial assets	8	(87,508,453)	(216,238,708)
Share of results of joint ventures and an associate		29,613,356	20,380,737
PROFIT/(LOSS) BEFORE TAXATION	8	278,857,238	(320,015,384)
Income tax expense	10	(11,735,669)	(847,523)
PROFIT/(LOSS) FOR THE YEAR		267,121,569	(320,862,907)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		(4,224,292)	17,914
Realisation of reserve upon disposal/loss of control of subsidiaries		-	(8,787,252)
Debt investments at fair value through other comprehensive income:			
Changes in fair value		(72,117,718)	88,366,396
Income tax impact		2,333,000	(2,333,000)
Reclassification adjustments for gains/losses included in the consolidated statement of profit or loss			
- Loss on disposals		40,989,756	89,802,068
- Impairment losses		16,963,918	12,484,424
Total comprehensive income for the year		251,066,233	(141,312,357)
Profit/(loss) for the year attributable to:			
Owners of the Company		267,135,903	(320,856,811)
Non-controlling interests		(14,334)	(6,096)
		267,121,569	(320,862,907)
Total comprehensive income attributable to:			
Owners of the Company		251,076,963	(141,310,546)
Non-controlling interests		(10,730)	(1,811)
		251,066,233	(141,312,357)

Notes to the consolidated financial statements form an integral part of these financial statements.

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
廣發控股(香港)有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$	2019 HK$
NON-CURRENT ASSETS			
Property and equipment	12	32,970,499	37,418,319
Right-of-use assets	13	12,627,002	45,142,671
Intangible assets	14	430,000	430,000
Investments in associates	15	60,990,561	232,168,724
Investments in joint ventures	16	465,046,134	443,065,109
Financial assets at fair value through profit or loss	20	662,656,752	1,660,540,786
Deferred tax assets	17	19,211,000	51,656,000
Deposits	23	10,461,974	10,461,974
Other assets	18	53,226,214	24,183,302
		1,317,620,136	2,505,066,885
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	19	1,015,771,217	2,521,257,731
Financial assets at fair value through profit or loss	20	8,366,738,987	2,788,812,531
Loan receivable	22	483,921	-
Other receivables, deposits and prepayments	23	139,709,775	122,937,082
Trade receivables	24	5,749,575,830	4,926,019,466
Derivative financial assets	25	29,876,008	11,060,346
Amount due from a fellow subsidiary	26	-	48,571,599
Tax recoverable		39,193,016	3,357,598
Bank balances	28	6,211,965,469	4,326,310,986
		21,553,314,223	14,748,327,339
CURRENT LIABILITIES			
Amount due to the ultimate holding company	26	5,687,061	26,775,479
Loan from the ultimate holding company	27	-	539,404,635
Amount due to a fellow subsidiary	26	63,770,722	59,709,159
Derivative financial liabilities	25	1,750,676	1,054,505
Financial liabilities at fair value through profit or loss	29	-	81,117,173
Trade payables	30	8,003,001,248	4,825,105,643
Contract liabilities	31	9,818,250	10,911,730
Financial assets sold under repurchase agreements	32	2,319,886,201	2,348,360,346
Debt securities in issue	33	987,619,514	-
Note payable	34	67,446,750	204,842,810
Bank borrowings	35	3,493,964,926	684,004,328
Accrued charges and other payables		549,827,782	236,197,420
Provision	47	451,768,212	453,877,726
Third-party interests in consolidated investment funds	36	1,207,167,588	437,656,048
Lease liabilities	13	6,652,531	33,594,405
Tax liabilities		25,327,758	11,255,817
		17,193,689,219	9,953,867,224
Net current assets		4,359,625,004	4,794,460,115

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
廣發控股(香港)有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2020

	Notes	2020 HK$	2019 HK$
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	29	-	667,198,496
Bank borrowings	35	-	1,181,833,142
Third-party interests in consolidated investment funds	36	205,743,143	175,299,630
Lease liabilities	13	5,697,470	12,201,433
Deferred tax liabilities	17	32,603,000	80,859,005
		244,043,613	2,117,391,706
NET ASSETS		5,433,201,527	5,182,135,294
CAPITAL AND RESERVES			
Share capital	37	5,600,000,000	5,600,000,000
Investment revaluation reserve		(25,068)	11,805,976
Foreign currency translation reserve		(8,564,118)	(4,336,222)
General reserve		15,084,062	15,084,062
Accumulated losses		(169,783,357)	(436,919,260)
Equity attributable to owners of the Company		5,436,711,519	5,185,634,556
Non-controlling interests		(3,509,992)	(3,499,262)
TOTAL EQUITY		5,433,201,527	5,182,135,294

....
Qin Li
Director

....
Shen Minggao
Director

Notes to the consolidated financial statements form an integral part of these financial statements.

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
廣發控股(香港)有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to the owners of the company						
	Share capital HK$	Investment revaluation reserve HK$	Foreign currency translation reserve HK$	General reserve HK$ (Note 1)	Accumulated losses HK$	Non-controlling interests HK$	Total HK$
At 1 January 2019	5,600,000,000	(176,513,912)	4,437,401	656,981	(101,635,368)	(3,497,451)	5,323,447,651
Loss for the year	-	-	-	-	(320,856,811)	(6,096)	(320,862,907)
Exchange differences on translating foreign operations	-	-	13,629	-	-	4,285	17,914
Realisation of reserve upon disposal/loss of control of subsidiaries	-	-	(8,787,252)	-	-	-	(8,787,252)
Change in fair value of debt securities at fair value through other comprehensive income	-	88,366,396	-	-	-	-	88,366,396
Reclassification adjustments to profit or loss on disposal of financial assets at fair value through other comprehensive income	-	89,802,068	-	-	-	-	89,802,068
Reclassification adjustments for credit loss included in the consolidated statement of profit or loss	-	12,484,424	-	-	-	-	12,484,424
Income tax impact on financial assets at fair value through other comprehensive income	-	(2,333,000)	-	-	-	-	(2,333,000)
Appropriation to general reserve (Note 1)	-	-	-	14,427,081	(14,427,081)	-	-
Total comprehensive income for the year	-	188,319,888	(8,773,623)	14,427,081	(335,283,892)	(1,811)	(141,312,357)
At 31 December 2019 and 1 January 2020	5,600,000,000	11,805,976	(4,336,222)	15,084,062	(436,919,260)	(3,499,262)	5,182,135,294
Profit for the year	-	-	-	-	267,135,903	(14,334)	267,121,569
Exchange differences on translating foreign operations	-	-	(4,227,896)	-	-	3,604	(4,224,292)
Change in fair value of debt securities at fair value through other comprehensive income	-	(72,117,718)	-	-	-	-	(72,117,718)
Reclassification adjustments to profit or loss on disposal of financial assets at fair value through other comprehensive income	-	40,989,756	-	-	-	-	40,989,756
Reclassification adjustments for credit loss included in the consolidated statement of profit or loss	-	16,963,918	-	-	-	-	16,963,918
Income tax impact on financial assets at fair value through other comprehensive income	-	2,333,000	-	-	-	-	2,333,000
Total comprehensive income for the year	-	(11,831,044)	(4,227,896)	-	267,135,903	(10,730)	251,066,233
At 31 December 2020	5,600,000,000	(25,068)	(8,564,118)	15,084,062	(169,783,357)	(3,509,992)	5,433,201,527

Note 1: Pursuant to the Company Law of the People's Republic of China ("PRC") and the articles of association of the group company established in the PRC (the "PRC Company"), 10% of the net profit of the PRC Company, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the PRC Company. The reserve appropriated can be used for expansion of business and capitalisation. If the statutory reserve is capitalised into share capital, the remaining reserve is required to be no less than 25% of the PRC Company's registered capital before capitalisation.

Notes to the consolidated financial statements form an integral part of these financial statements.

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
廣發控股(香港)有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$	2019 HK$
OPERATING ACTIVITIES			
Profit/(loss) before taxation		278,857,238	(320,015,384)
Adjustments for:			
Depreciation of property and equipment	8	12,595,878	11,508,265
Depreciation of right-of-use-assets	8	32,448,330	32,349,648
Dividend income	5	(38,866,948)	(89,110,347)
Interest income		(306,742,251)	(307,171,429)
Interest expenses	7	214,981,468	319,694,945
Interest income from debt securities classified as fair value through other comprehensive income	4	(77,851,647)	(169,399,840)
Interest income from debt securities classified as fair value through profit or loss	4	(260,350,950)	(93,957,500)
Interest income from reverse repurchase agreements	4	(20,157,053)	(43,092,126)
Interest income from derivative financial assets	4	(30,517,118)	(29,335,296)
Net unrealised fair value changes of financial assets at fair value through profit or loss	6	(1,090,200,240)	(176,029,209)
Net unrealised fair value changes of financial liabilities at fair value through profit or loss	6	(63,317,427)	141,568,281
Net unrealised fair value changes of debt securities in issue	6	52,593,327	-
Net unrealised fair value changes of derivative financial instruments	6	(6,578,956)	15,228,778
Net unrealised fair value changes of investments in associates at fair value through profit or loss	6	170,138,446	(14,496,143)
Changes in third-party interests in consolidated investment funds	6	1,394,364,063	51,717,739
Impairment losses recognised on trade receivables	8	77,409,283	204,050,574
Reversal of impairment losses recognised on loan receivable	8	(8,966,921)	-
Impairment losses recognised on other financial assets	8	19,066,091	12,188,134
(Gain)/loss on disposal of property and equipment	8	(80,000)	81,000
Loss/(gain) on disposal of subsidiaries	6	167,838	(1,889,738)
Share of results of joint ventures and an associate		(29,613,356)	(20,380,737)
Write-off of trade receivables		-	(1,017,762)
Write-off of other receivables		(784,034)	-
Operating cash flows before movements in working capital		318,595,061	(477,508,147)
Increase in other assets		(29,146,895)	(453,345)
(Increase)/decrease in financial assets at fair value through profit or loss		(3,489,842,182)	1,250,029,540
Decrease in financial liabilities at fair value through profit or loss		(684,998,242)	(23,866,920)
(Increase)/decrease in trade receivables		(900,965,647)	1,339,864,939
Proceeds from repayments of loan receivable		8,483,000	364,707,373
Decrease in other receivables, deposits and prepayments		31,335,508	11,443,239
(Increase)/decrease in bank balances - trust accounts		(1,092,890,196)	120,560,653
(Increase)/decrease in time deposits with original maturity of more than three months but less than one year when acquired		(7,481,254)	-
Decrease in amount due from a fellow subsidiary		48,571,599	31,265,629

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2020

	Notes	2020 HK$	2019 HK$
(Decrease)/increase in amount due to the ultimate holding company		(21,088,418)	18,643,162
Increase/(decrease) in amount due to a fellow subsidiary		4,061,563	(1,219,776)
(Increase)/decrease in derivative financial assets		(12,236,706)	3,830,502,709
Increase/(decrease) in derivative financial liabilities		696,171	(4,468,583,479)
Increase in trade payables		3,177,895,605	488,883,501
(Decrease)/increase in contract liabilities		(1,093,480)	2,528,815
Decrease in third-party interests in consolidated investment funds		(594,409,010)	(77,448,466)
Increase/(decrease) in accrued charges and other payables		318,444,923	(46,526,972)
Increase in provision		-	453,877,726
Cash (used in)/from operations		(2,926,068,600)	2,816,700,181
Interest received		306,388,579	292,801,794
Interest received from loans receivable, financial assets at fair value through profit or loss, derivative financial assets and reverse repurchase agreements		246,179,445	193,629,545
Interest paid		(2,312,979)	(11,947,471)
Dividend received from financial assets at fair value through profit or loss		38,866,948	89,110,347
Income tax paid		(47,842,792)	-
Interest element on lease liabilities	13	(1,387,412)	(2,408,787)
Net cash (used in)/from operating activities		(2,386,176,811)	3,377,885,609
INVESTING ACTIVITIES			
Purchases of property and equipment	12	(8,117,227)	(17,560,646)
Purchases of debt securities classified as fair value through other comprehensive income		(15,538,000)	(15,663,600)
Proceeds from disposal of debt securities classified as fair value through other comprehensive income		1,489,896,552	2,213,838,014
Proceeds from return of capital of a joint venture		2,998,227	-
Interest received from debt securities classified as fair value through other comprehensive income		96,899,048	199,318,704
Net cash inflow on disposal/loss of control of subsidiaries		-	232,155,627
Net cash from investing activities		1,566,138,600	2,612,088,099

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2020

	Notes	2020 HK$	2019 HK$
FINANCING ACTIVITIES			
Interest paid	46	(216,065,215)	(309,411,414)
Proceeds from bank borrowings raised	46	280,961,691,217	178,868,478,329
Repayments of bank borrowings	46	(279,333,563,761)	(184,768,534,359)
(Repayments of)/proceeds from financial assets sold under repurchase agreements	46	(28,474,145)	311,908,873
Proceeds from issue of debt securities	46	935,175,752	-
Repayment of note payable	46	(137,396,060)	(177,521,330)
Repayment of loan from the ultimate holding company		(539,404,635)	-
Payments of lease liabilities	46	(33,312,448)	(31,230,180)
Net cash from/(used in) financing activities		1,608,650,705	(6,106,310,081)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		788,612,494	(116,336,373)
Cash and cash equivalents at beginning of the year		540,774,191	657,778,322
Effect of exchange rate changes on the balances held in foreign currencies		(3,184,076)	(667,758)
Cash and cash equivalents at end of the year		1,326,202,609	540,774,191
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY			
Bank balances - house accounts	28	936,210,498	540,774,191
Non-pledged time deposits with original maturity of less than three months when acquired	28	389,992,111	-
Bank balances as stated in consolidated statement of cash flows		1,326,202,609	540,774,191
Non-pledged time deposits with original maturity of more than three months but less than one year when acquired	28	7,481,254	-
Total bank balances in house accounts		1,333,683,863	540,774,191

Notes to the consolidated financial statements form an integral part of these financial statements.

1. The Company is a limited company incorporated in Hong Kong. The principal activity of the Company is investment holding and its subsidiaries include licensed corporations under the Hong Kong Securities and Futures Ordinance.

   The principal activities of the subsidiaries, as set out in Note 38 to the consolidated financial statements, are engaged in the businesses of providing securities brokerage and margin financing services, corporate finance and advisory services, advising on securities and assets management, insurance brokerage and investment trading.

   Its ultimate and immediate holding company is GF Securities Co., Ltd., a company incorporated in the People's Republic of China ("PRC"), with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange.

   The address of the registered office and principal place of business of the Company is 29/F & 30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

   The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, debt securities in issue and derivative financial instruments which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 16	*Covid-19-Related Rent Concessions*
Amendments to HKAS 1 And HKAS 8	*Definition of Material*

The nature and the impact of those HKFRSs that are applicable to the Group are as follows:

(a) Conceptual Framework For Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the consolidated financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the consolidated financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the consolidated financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if
   (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
   (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
   (iii) there is no substantive change to other terms and conditions of the lease.

   The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) (continued)
During the year ended 31 December 2020, there were no reductions or waivers in monthly lease payments as a result of the pandemic. The amendments did not have any impact on the consolidated financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any impact on the consolidated financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKAS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current of Non-current*[3,4]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018 - 2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

- Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are not expected to have a significant impact on the Group's consolidated financial statements upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

- Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

  - HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

  - HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment funds

Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. In conducting the assessment, the Group considers substantive contractual rights as well as de facto control. De facto control of an entity may arise from circumstances where the Group does not have more than 50% of the voting power but it has the practical ability to direct the relevant activities of the entity. If the Group has power to remove or control over the party having the ability to direct the relevant activities of the funds based on the facts and circumstances and that the Group has exposure to variable returns of the investment funds, they are consolidated. Variable returns include both rights to the profits or distributions as well as the obligation to absorb losses of the investees.

The interests of parties other than the Group in consolidated investment funds are classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such investment funds for cash. These are presented as "Third-party interests in consolidated investment funds" in the consolidated statement of financial position.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the fair value method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its financial assets and financial liabilities at fair value through profit or loss, debt securities in issue, financial assets at fair value through other comprehensive income and derivative financial instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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; *(If the Group is itself such a plan)* and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and equipment	20%
Computer equipment	20% - 33%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on tangible and intangible assets (continued)
If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of rented premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)
Initial recognition and measurement (continued)
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)
For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)
Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in Stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following Stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 –	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 –	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 –	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)
Initial recognition and measurement (continued)
The Group's financial liabilities include trade and other payables, amount due to the ultimate holding company, loan from the ultimate holding company, amount due to a fellow subsidiary, financial liabilities at fair value through profit or loss, debt securities in issue, third-party interests in consolidated investment funds, contract liabilities, financial assets sold under repurchase agreements, note payable, lease liabilities, derivative financial liabilities and interest-bearing bank borrowings.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date or recognition, any only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not included any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions
A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax
Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition
Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the considerations received or receivable, and represents amounts receivable for services provided in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(a) Commission and brokerage income from dealing in securities
Income from securities brokerage services is recognised at a point in time basis upon execution of the sale or purchase of securities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(b) Underwriting fee and commission

Income from the underwriting services for securities is recognised as income in accordance with terms of the underlying agreement or deal mandate at a point in time when relevant significant act has been completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be measured reliably.

(c) Advisory fee income, handling fee income and arrangement fee income

Advisory fee income, handling fee income and arrangement fee income are recognised over time when the service have been rendered.

(d) Insurance brokerage income

Income from insurance brokerage is recognised at a point in time in the period which the services are rendered. Insurance brokerage income on additional premiums and adjustments are recognised when these occur.

Revenue from other sources and other income

(a) Management fee income

Management fee income is recognised at over time when the service has been rendered.

(b) Interest income from a financial asset

Interest income from a financial asset is recognised over time on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(c) Dividend income from investments

Dividend income from investments is recognised when the rights to receive payment have been established.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies
These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary activities

The Group acts in a fiduciary capacity which results in the holding of assets on behalf of a 100% owned subsidiary of the immediate holding company. These assets and any gains or losses arising thereon are not included in these financial statements as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For investments funds where the Group involves as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. The investment funds are consolidated if the Group acts in the role of principal.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments and discounted cash flow analysis. To the extent practical, market observable inputs and data, such as interest rate yield curves and foreign currency rates, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financials instruments. Details of the fair value valuation are set out in Note 43 of the consolidated financial statements.

Impairment allowance on financial instruments

The implementation resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial instruments. In determining ECL, judgement has been applied in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and assessment of future economic conditions. Judgement has been applied in determining the lifetime and point of initial recognition of revolving facilities. The probability of default ("PD") and loss given default ("LGD") models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)
Impairment allowance on financial instruments (continued)

Definition of default and credit-impaired assets
Default is considered occurred when one of the following conditions is met:
- Loans or receivables which are considered uncollectible after exhausting all collection efforts and have no asset value;
- A debtor with difficulty in repayment applies for debt restructuring to cut the outstanding debt; or
- Loans or receivables require to be written off as specified by the local regulatory authorities.

Staging criteria
Movement between Stages 1, 2 and 3 is based on a set of predefined criteria whereas the Group has adopted a guideline to identify significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition that is consistent with the internal credit risk management strategy. The criteria included, but not limited to, the following elements:
- External/internal credit rating;
- Days past due record; and
- Other credit risk events, such as margin call, force liquidation, bankruptcy.

Multiple scenarios and forward-looking information
ECL is calculated as a probability-weighted product of the probability of default, loss given default and present value of exposure at default discounted at effective interest rate across scenarios. Three scenarios are adopted in the probability-weighted ECL which included the Baseline, Upside, and Downside scenarios which presented different severity under the respective macroeconomic scenarios.

The Group considers both historical loss experience and current observable data, and uses reasonable and supportable information of future economic forecasts to estimate the amount of ECL. The Group adopted macroeconomic forecast data for countries/regions that have material impact to the Group's business.

Income taxes
There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unused tax losses at 31 December 2020 was approximately HK$1,464,000,000 (2019: HK$1,678,000,000). The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was approximately HK$20,840,000 (2019: HK$47,840,000). Details of unused tax losses and tax losses recoginsed are disclosed in Note 10 and Note 17 respectively.

Provisions
Given the subjectivity and uncertainty of determining the possible outcome, the Group takes into account a number of factors and the stage of the matter. Significant judgement is required to conclude on these estimates. Further details on provisions are disclosed in Note 47.

4. REVENUE

	2020 HK$	2019 HK$
Revenue from contracts with customers		
Commission and brokerage income from dealing in securities	228,985,971	111,366,464
Handling fee from subscription of new shares in initial public offerings ("IPO")	8,127,940	3,415,933
Underwriting fee and placing commission for securities	33,864,654	60,974,403
Advisory fee income	55,928,114	21,577,395
Insurance brokerage income	3,061,686	9,539,290
	329,968,365	206,873,485
Revenue from other sources		
Interest income from margin financing and IPO loans	264,475,814	229,144,237
Management fee income	8,129,663	13,252,808
Interest income from loans receivable	3,333,523	17,856,354
Interest income from debt securities classified as fair value through profit or loss	260,350,950	93,957,500
Interest income from debt securities classified as fair value through other comprehensive income	77,851,647	169,399,840
Interest income from reverse repurchase agreements	20,157,053	43,092,126
Interest income from derivative financial instruments	30,517,118	29,335,296
	664,815,768	596,038,161
Total revenue	994,784,133	802,911,646

5. OTHER OPERATING INCOME

	2020 HK$	2019 HK$
Dividend income	38,866,948	89,110,347
Handling fee income	32,676,047	19,945,102
Arrangement fee	-	1,351,378
Government grants (Note 11)	13,494,093	-
Other income	4,897,431	44,485,969
Interest income from bank deposits	38,932,914	60,170,838
	128,867,433	215,063,634

6. OTHER GAINS AND LOSSES

	2020 HK$	2019 HK$
Net unrealised fair value changes of financial assets at fair value through profit or loss	1,090,200,240	176,029,209
Net unrealised fair value changes of financial liabilities at fair value through profit or loss	63,317,427	(141,568,281)
Net unrealised fair value changes of debt securities in issue designated as financial liabilities at fair value through profit or loss	(52,593,327)	-
Net unrealised fair value changes of derivative financial instruments	6,578,956	(15,228,778)
Net unrealised fair value changes of investments in associates measured at fair value	(170,138,446)	14,496,143
Net realised losses on disposals of debt instruments classified as fair value through other comprehensive income	(40,989,756)	(89,802,068)
Net realised gains/(losses) on financial assets at fair value through profit or loss	340,285,701	(16,599,843)
Net realised gains/(losses) on financial liabilities at fair value through profit or loss	92,520,936	(3,454,460)
Net realised (losses)/gains on derivative financial instruments and others (Note)	(3,110,602)	290,373,176
Exchange differences	42,711,509	8,803,565
Changes in third-party interests in consolidated investment funds	(1,394,364,063)	(51,717,739)
(Loss)/gain on disposal of subsidiaries (Note 45)	(167,838)	1,889,738
	(25,749,263)	173,220,662

Note: For the year ended 31 December 2019, included the gains or losses related to an investment fund, GTEC Pandion Multi-Strategy Fund SP, amounting to USD44 million (approximately HK$343 million).

7. FINANCE COSTS

	2020 HK$	2019 HK$
Interest expenses on		
- bank borrowings	138,648,197	207,606,129
- borrowings from other financial institutions	25,357,987	24,312,657
- financial assets sold under repurchase agreements	35,140,630	54,752,572
- others	15,834,654	33,023,587
	214,981,468	319,694,945

8. PROFIT/(LOSS) BEFORE TAXATION

	2020 HK$	2019 HK$
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Auditor's remuneration	3,270,885	2,552,514
Directors' remuneration (Note 9)		
- fees	-	-
- other emoluments	16,420,596	20,940,653
- contributions to mandatory provident fund	771,869	1,099,532
Staff costs		
- salaries and bonus	277,237,651	270,642,649
- contributions to mandatory provident fund	16,150,100	4,393,332
	310,580,216	297,076,166
Depreciation of property and equipment (Note 12)	12,595,878	11,508,265
Depreciation of right-of-use assets (Note 13)	32,448,330	32,349,648
Lease payments not included in the measurement of lease liabilities	26,135	324,609
Brokerage commission expenses	76,648,451	51,615,329
Legal and professional fees	18,041,155	28,506,966
Impairment losses recognised on trade receivables	77,409,283	204,050,574
Reversal of impairment losses recognised on loan receivable	(8,966,921)	-
Impairment losses recognised on debt securities classified as fair value through other comprehensive income	16,963,918	12,484,424
Impairment losses recognised on other receivables	1,852,805	285,474
Impairment losses/(reversal of impairment losses) recognised on bank balances	145,385	(581,661)
Impairment losses/(reversal of impairment losses) recognised on other assets	103,983	(103)
(Gain)/loss on disposal of property and equipment (Note)	(80,000)	81,000
Provision expense (Note 47)	-	456,540,842

Note: The gain on disposal of property and equipment of HK$80,000 is also included in the other income in Note 5 for the year ended 31 December 2020.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 HK$	2019 HK$
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	10,765,596	15,288,623
Performance related bonuses	5,655,000	5,652,030
Pension scheme contributions	771,869	1,099,532
	17,192,465	22,040,185

During the year, there were no loans to directors which are required to be disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (2019: Nil).

10. INCOME TAX

	2020 HK$	2019 HK$
Current tax		
- Hong Kong Profits Tax	20,385,725	260,000
- PRC Enterprise Income Tax	4,762,951	-
(Over)/under provision in prior years	(19,663)	811,343
Deferred tax (Note 17)	(13,393,344)	(223,820)
	11,735,669	847,523

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit/(loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$	%	2019 HK$	%
Profit/(loss) before taxation	278,857,238		(320,015,384)	
Tax at Hong Kong Profits Tax rate	46,011,444	16.5	(52,802,538)	(16.5)
Tax effect of share of results of joint ventures and an associate	(4,886,204)	(1.8)	(3,349,947)	(1.0)
Tax effect of expenses not deductible for tax purpose	30,024,339	10.8	63,111,156	19.7
Tax effect of income not taxable for tax purpose	(108,903,822)	(39.1)	(45,552,126)	(14.2)
Tax effect of (over)/under provision in prior years	(19,663)	(0.0)	811,343	0.3
Tax effect of tax losses not recognised	196,839,080	70.6	60,886,836	19.0
Utilisation of tax losses previously not recognised	(27,358,442)	(9.8)	(18,674,432)	(5.8)
Tax effect of temporary difference not recognised	(119,971,063)	(43.0)	3,993,151	1.2
Tax adjustment due to adoption of HKFRS 9	-	-	(7,575,920)	(2.4)
Tax charge for the year at the effective rate	11,735,669	4.2	847,523	0.3

As at 31 December 2020, the Group has unused tax losses of approximately HK$1,464,000,000 (2019: HK$1,678,000,000) available for offset against future profits.

11. GOVERNMENT GRANTS

During the year, HK$13,444,093 (2019: Nil) and HK$50,000 (2019: Nil) were recognised as other income in relation to the Employment Support Scheme and Hong Kong Securities and Investment Institute subsidy under the Anti-epidemic Fund.

12. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$	Furniture fixtures and equipment HK$	Computer equipment HK$	Motor vehicles HK$	Total HK$
COST					
At 1 January 2019	24,595,808	6,841,040	55,094,061	3,612,911	90,143,820
Additions for the year	864,310	395,146	16,301,190	-	17,560,646
Disposal	(540,962)	-	(2,698,522)	-	(3,239,484)
Exchange adjustments	154,369	42,476	25,475	10,986	233,306
At 31 December 2019 and 1 January 2020	25,073,525	7,278,662	68,722,204	3,623,897	104,698,288
Additions for the year	415,450	150,131	7,551,646	-	8,117,227
Disposal	-	-	-	(1,869,260)	(1,869,260)
Exchange adjustments	85,722	36,261	86,058	5,942	213,983
At 31 December 2020	25,574,697	7,465,054	76,359,908	1,760,579	111,160,238
DEPRECIATION					
At 1 January 2019	19,738,526	4,966,327	29,303,012	2,488,494	56,496,359
Charges for the year	1,112,546	686,064	9,424,493	285,162	11,508,265
Eliminated on disposal	(19,390)	-	(791,775)	-	(811,165)
Exchange adjustments	52,666	18,980	12,576	2,288	86,510
At 31 December 2019 and 1 January 2020	20,884,348	5,671,371	37,948,306	2,775,944	67,279,969
Charges for the year	1,158,526	668,756	10,484,689	283,907	12,595,878
Eliminated on disposal	-	-	-	(1,869,260)	(1,869,260)
Exchange adjustments	69,528	38,006	71,398	4,220	183,152
At 31 December 2020	22,112,402	6,378,133	48,504,393	1,194,811	78,189,739
CARRYING AMOUNTS					
At 31 December 2020	3,462,295	1,086,921	27,855,515	565,768	32,970,499
At 31 December 2019	4,189,177	1,607,291	30,773,898	847,953	37,418,319

13. LEASES

(a) Right-of-use assets

	Buildings HK$
COST	
At 1 January 2019	70,114,915
Additions for the year	7,378,394
Exchange adjustments	(7,441)
At 31 December 2019 and 1 January 2020	77,485,868
Additions for the year	86,592
Decreases for the year	(1,081,335)
Exchange adjustments	477,606
At 31 December 2020	76,968,731
DEPRECIATION	
At 1 January 2019	-
Charge for the year	32,349,648
Exchange adjustments	(6,451)
At 31 December 2019 and 1 January 2020	32,343,197
Charge for the year	32,448,330
Decreases for the year	(623,486)
Exchange adjustments	173,688
At 31 December 2020	64,341,729
CARRYING AMOUNT	
At 31 December 2020	12,627,002
At 31 December 2019	45,142,671

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the years are as follows:

	2020 HK$	2019 HK$
Carrying amount at 1 January	45,795,838	66,303,458
Additions for the year	86,592	10,722,004
Decreases for the year	(465,015)	-
Exchange adjustments	245,034	556
Accretion of interest recognised during the year	1,387,412	2,408,787
Payments	(34,699,860)	(33,638,967)
Carrying amount at 31 December	12,350,001	45,795,838
Analysed into:		
Current portion	6,652,531	33,594,405
Non-current portion	5,697,470	12,201,433

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

13. LEASES (CONTINUED)

(b) Lease liabilities (continued)
The weighted average incremental borrowing rate applied to the lease liabilities recognised at 31 December 2020 was 3.6% (2019: 3.6%). The fair value of the Company's non-current liabilities with a carrying amount of HK$5,697,470 was HK$6,377,948 (2019: HK$12,201,433 was HK$13,426,207). The fair value was determined by discounting the expected future cash flows at prevailing interest rates.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 HK$	2019 HK$
Interest on lease liabilities	1,387,412	2,408,787
Depreciation of right-of-use assets	32,448,330	32,349,648
Expense relating to leases of low-value assets (included in other operating expenses)	26,135	324,609
Total amount recognised in profit or loss	33,861,877	35,083,044

14. INTANGIBLE ASSETS

	2020 HK$	2019 HK$
Trading rights on the Stock Exchange of Hong Kong Limited, at cost	430,000	430,000

Intangible assets include trading rights with infinite life and the directors of the Company consider that no impairment loss shall be recognised during the year as the recoverable amount is sufficient to cover the carrying amount.

15. INVESTMENTS IN ASSOCIATES

	2020 HK$	2019 HK$
Unlisted investments in associates, at fair value through profit or loss	60,080,945	231,204,039
Unlisted investment in an associate, at cost	748,250	751,744
Share of post-acquisition profits and other comprehensive income	161,366	212,941
	60,990,561	232,168,724

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates at the end of the reporting period are as follows:

Unlisted investments in associates at fair value through profit or loss

Name of entity	Place of incorporation	Equity interest held by the Group 2020	2019	Principal activities
Archiact Interactive Ltd. ("Archiact Interactive")	Canada	6.28%	6.28%	Investment holding
Archiact (Cayman) Inc. ("Archiact (Cayman)")	Cayman Islands	6.28%	6.28%	Investment holding
Gegejia Corporation ("Gegejia")	Cayman Islands	4.545%	4.545%	Investment holding

Unlisted investment in an associate at cost

Horizon Partners Fund L.P.	Cayman Islands	1.00%	1.00%	Investment holding

In 2017, GF Optimus Ltd. (previously known as “GF Qianheng I Limited”), a venture capital organisation and an indirect wholly-owned subsidiary, acquired 6.72% equity interests in Archiact Interactive and Archiact (Cayman) at considerations of USD2,899,999 (equivalent to HK$22,669,875) and USD1,023 (equivalent to HK$7,998) respectively. Pursuant to the shareholders' agreements of Archiact Interactive and Archiact Cayman, the Group has appointed one out of the five directors of both Archiact Interactive and Archiact Cayman. Accordingly, the Group is able to exercise significant influence over Archiact Interactive and Archiact Cayman and accounts for both investments as associates. In 2018, upon the redemptions of other investors, the Group’s interests in both Archiact Inveractive and Archiact (Cayman) have decreased from 6.72% to 6.28%.

In 2016, Guangfa Xinde Capital Management Limited, a venture capital organisation and an indirect wholly-owned subsidiary, acquired 6.97% equity interest in Gegejia at a consideration of USD5,000,000 (equivalent to HK$38,779,500). Pursuant to the shareholders' agreement of Gegejia, the Group has appointed one out of the seven directors of Gegejia. Accordingly, the Group is able to exercise significant influence over Gegejia and accounts for such investment as an associate. In 2019, upon the redemptions of other investors, the Group’s interest in Gegejia has decreased from 4.99% to 4.545%.

The Group elected to measure these investments in associates at fair value through profit or loss as the management measures their performance on a fair value basis.

In 2018, GFGI Limited, an indirect wholly-owned subsidiary, acquired 1% equity interests in Horizon Partners Fund L.P. at consideration of USD123,551 (equivalent to HK$967,627).

The summarised financial information in respect of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs").

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Archiact Interactive Ltd.

	2020 HK$	2019 HK$
Total assets	22,489,268	17,827,597
Total liabilities	(14,536,977)	(11,159,867)
Net assets	7,952,291	6,667,730
Total revenue	24,535,330	23,128,339
Profit/(loss) and other comprehensive income for the year	1,008,508	(17,893,833)

Gegejia Corporation

	2020 HK$	2019 HK$
Total assets	842,661,543	1,348,837,940
Total liabilities	(351,296,491)	(832,010,875)
Net assets	491,365,052	516,827,065
Total revenue	1,862,124,205	2,077,472,076
Loss and other comprehensive income for the year	(63,447,995)	(311,808,909)

16. INVESTMENTS IN JOINT VENTURES

	2020 HK$	2019 HK$
Unlisted investments in joint ventures, at cost	325,623,985	333,227,201
Share of post-acquisition profits and other comprehensive income	139,422,149	109,837,908
	465,046,134	443,065,109

16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Place of incorporation	Equity interest held by the Group		Principal activities
		2020	2019	
GHS Partners Limited	Cayman Islands	49.00%	49.00%	Investment holding
GHS Investment Management (Canada) Company Limited	Canada	49.00%	49.00%	Investment holding
GHS Investment Management (Cayman) Company Limited	Cayman Islands	49.00%	49.00%	Investment holding
GHS Partnership L.P.	Cayman Islands	49.00%	49.00%	Investment holding
GHS Partnership II L.P	Cayman Islands	49.00%	49.00%	Investment holding
Global Health Science Fund I, L.P.	Cayman Islands	29.36%	30.41%	Investment holding
Global Health Science Fund II, L.P.	Cayman Islands	29.71%	28.78%	Investment holding

In 2016, the Group subscribed 49% equity interest in GHS Partners Limited, GHS Investment Management (Canada) Company Limited and GHS Investment Management (Cayman) Company Limited at a total consideration of USD98 (equivalent to HK$764). Pursuant to the subscription agreements, the Group has appointed one out of the three directors of GHS Partners Limited and GHS Investment Management (Cayman) Company Limited respectively, and one out of the two directors of GHS Investment Management (Canada) Company Limited. Decisions about the relevant activities require the unanimous consent of all directors sharing control. Accordingly, the Group is able to exercise joint control over GHS Partners Limited, GHS Investment Management (Canada) Company Limited and GHS Investment Management (Cayman) Company Limited and accounts for these companies as investments in joint ventures. During the year, there is no change in the Group’s interest in the three mentioned joint ventures.

In 2016, the Group subscribed 49% and 25% equity interest in GHS Partnership L.P. and Global Health Science Fund I, L.P. at a consideration of USD490,000 (equivalent to HK$3,800,391) and USD25,000,000 (equivalent to HK$193,926,899) respectively. Pursuant to the subscription agreements, GHS Partnership L.P. is the General Partner of Global Health Science Fund I, L.P. and GHS Partners Limited (the “ultimate General Partner”) is the General Partner of GHS Partnership L.P.. Decisions about the relevant activities of Global Health Science Fund I, L.P. and GHS Partnership L.P. require the consent of the General Partner and also the unanimous consent of the three directors of the ultimate General Partner sharing control. Accordingly, the Group is able to exercise joint control over GHS Partnership L.P. and Global Health Science Fund I, L.P. and accounts for these funds as investments in joint ventures. During the year, the Group’s interest in Global Health Science Fund I, L.P. has decreased from 30.41% to 29.36%.

In 2018, the Group subscribed 49% and 28.78% equity interest in GHS Partnership II L.P. and Global Health Science Fund II, L.P. at a consideration of USD490,000 (equivalent to HK$3,837,582) and USD20,000,000 (equivalent to HK$156,556,009) respectively. Pursuant to the subscription agreements, GHS Partnership II L.P. is the General Partner of Global Health Science Fund II, L.P. and GHS Partners Limited is the General Partner of GHS Partnership II L.P.. Decisions about the relevant activities of Global Health Science Fund II, L.P. and GHS Partnership II L.P. require the consent of the General Partner and also the unanimous consent of the three directors of the ultimate General Partner sharing control. Accordingly, the Group is able to exercise joint control over GHS Partnership II L.P. and Global Health Science Fund II, L.P. and accounts for these funds as investments in joint ventures. During the year, the Group's interest in Global Health Scient Fund II, L.P. has increased from 28.78% to 29.71%.

The summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Global Health Science Fund I, L.P.

	2020 HK$	2019 HK$
Total assets	879,948,940	893,907,631
Total liabilities	(364,368)	(30,344,310)
Net assets	879,584,572	863,563,321
Total revenue	31,291,041	4,250,293
Profit/(loss) and other comprehensive income for the year	23,755,437	(21,738,687)

Reconciliation of the above summarised financial information to the carrying amount of the investment in Global Health Science Fund I, L.P. recognised in the consolidated financial statements:

	2020 HK$	2019 HK$
Net assets of Global Health Science Fund I, L.P.	879,584,572	863,563,321
Proportion of the Group's ownership interest in Global Health Science Fund I, L.P.	29.36%	30.41%
	258,246,030	262,609,606
Others	61,989	(51,816)
Carrying amount of the Group's interest in Global Health Science Fund I, L.P.	258,308,019	262,557,790

Global Health Science Fund II, L.P.

	2020 HK$	2019 HK$
Total assets	726,128,015	574,438,906
Total liabilities	(33,908,816)	(7,481,899)
Net assets	692,219,199	566,957,007
Total revenue	164,027,600	8,782,468
Profit and other comprehensive income for the year	131,836,238	30,252,993

16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Global Health Science Fund II, L.P. (continued)
Reconciliation of the above summarised financial information to the carrying amount of the investment in Global Health Science Fund II, L.P. recognised in the consolidated financial statements:

	2020 HK$	2019 HK$
Net assets of Global Health Science Fund II, L.P.	692,219,199	566,957,007
Proportion of the Group's ownership interest in Global Health Science Fund II, L.P.	29.71%	28.78%
	205,658,324	163,170,227
Others	1,580	(42,253)
Carrying amount of the Group's interest in Global Health Science Fund II, L.P.	205,659,904	163,127,974

Aggregate information of joint ventures that are not individually material:

	2020 HK$	2019 HK$
The Group's share of profit for the year	1,217,067	2,597,470
Aggregate carrying amount of the Group's interests in these joint ventures	1,217,077	2,597,481

17. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised and movements thereon during the year:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$	Unrealised gain on financial assets HK$	Total HK$
At 1 January 2019	-	53,934,000	53,934,000
Deferred tax charged to profit or loss	1,611,000	27,604,289	29,215,289
Exchange adjustments	-	(679,284)	(679,284)
At 31 December 2019 and at 1 January 2020	1,611,000	80,859,005	82,470,005
Deferred tax charged/(credited) to profit or loss	218,000	(48,171,344)	(47,953,344)
Deferred tax recognised in other comprehensive income	-	(84,661)	(84,661)
At 31 December 2020	1,829,000	32,603,000	34,432,000

Deferred tax assets

	Losses available for offsetting against future taxable profits HK$	Impairment of financial assets HK$	Unrealised loss on financial assets HK$	Total HK$
At 1 January 2019	21,784,000	-	4,376,891	26,160,891
Deferred tax credited/(debited) to profit or loss	26,056,000	(9,391,000)	12,774,109	29,439,109
Deferred tax recognised in other comprehensive income	-	-	(2,333,000)	(2,333,000)
At 31 December 2019 and at 1 January 2020	47,840,000	(9,391,000)	14,818,000	53,267,000
Deferred tax (debited)/credited to profit or loss	(27,000,000)	9,591,000	(17,151,000)	(34,560,000)
Deferred tax recognised in other comprehensive income	-	-	2,333,000	2,333,000
At 31 December 2020	20,840,000	200,000	-	21,040,000

The deferred tax assets were mainly related to the impairment allowance at Stage 1 and Stage 2 made for financial assets, unrealised losses on financial assets at fair value through profit of loss and unused tax loss which are available for offsetting against future taxable profits.

17. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 HK$	2019 HK$
Net deferred tax assets recognised in the consolidated statement of financial position	19,211,000	51,656,000
Net deferred tax liabilities recognsied in the consolidated statement of financial position	(32,603,000)	(80,859,005)
	(13,392,000)	(29,203,005)

18. OTHER ASSETS

	2020 HK$	2019 HK$
Statutory deposits	53,495,615	24,348,720
Less: Impairment allowance – Stage 1	(269,401)	(165,418)
	53,226,214	24,183,302

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$	2019 HK$
Financial assets at fair value through other comprehensive income comprise:		
Unlisted investments:		
- Debt securities	1,015,771,217	2,521,257,731

The movement in financial assets at fair value through other comprehensive income is summarised as follow:

	2020 HK$	2019 HK$
At 1 January	2,521,257,731	4,541,263,681
Additions	15,538,000	15,663,600
Net change in fair value	(72,117,718)	88,366,396
Redemption/matured	(1,437,997,352)	(2,112,303,758)
Exchange effect	(10,909,444)	(11,732,188)
At 31 December	1,015,771,217	2,521,257,731

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$	2019 HK$
Current		
Financial assets held for trading and financial assets measured at FVTPL		
Equity securities (Note 3)	1,896,465,717	961,379,081
Investment funds (Note 5)	308,863,709	63,325,256
Debt securities (Note 1, Note 6)	5,891,813,039	1,629,108,194
Convertible preference shares (Note 2)	269,596,522	-
Redeemable debt securities	-	135,000,000
	8,366,738,987	2,788,812,531
Analysed as:		
Listed in Hong Kong	397,154,541	218,607,974
Listed outside Hong Kong	1,499,311,176	742,771,107
Unlisted	6,470,273,270	1,827,433,450
	8,366,738,987	2,788,812,531
Non-current		
Financial assets measured at FVTPL		
Equity securities (Note 3)	608,389,252	604,252,874
Investment funds (Note 4, Note 5)	-	768,212,778
Convertible preference shares (Note 2)	54,267,500	288,075,134
	662,656,752	1,660,540,786
Analysed as:		
Unlisted	662,656,752	1,660,540,786

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note 1: As at 31 December 2020, the Group did not hold any listed debt securities (2019: nil). The Group held unlisted debt securities of HK$5,612,723,039 (2019: HK$1,629,108,194) which represent investments in corporate bonds.

Note 2: In 2019, the Group purchased preferred shares in a private company engaged in software industry at a consideration of USD7,000,000.

In 2016 and 2017, the Group purchased preferred shares in two private companies engaged in the technology sector at a consideration of USD19,999,997 and USD1,284,033 respectively. The preferred shares contain a conversion feature to convert into the ordinary shares of the issuers. The Group has designated both investments and the associated conversion feature as financial assets at FVTPL on initial recognition. During the year, the management reassessed the investment situation and classified the two private companies from non-current to current portion. Subsequent to the end of the reporting period, on 6 January 2021 and 2 March 2021, the Group disposed these two investments to independent third parties.

Note 3: In 2017, the Group purchased ordinary shares in a private company engaged in the technology sector at a consideration of USD45,000,000. In 2015 and 2016, the Group purchased ordinary shares in a private company engaged in financial leasing services sector at a consideration of HK$193,729,822 and HK$111,981,587 respectively. The directors of the Company manage and its performance is evaluated on a fair value basis in accordance with the Group's investment strategy so that the Group designated the investments as financial assets at FVTPL on initial recognition.

Note 4: In 2016, the Group has entered into an equity return swap agreement with a third party, whereby the Group will transfer the return of an investment fund to the counterparty on a date specified in the agreement. The Group has designated the investment fund of HK$690,325,778 as financial assets at FVTPL as the investment fund is managed and its performance is evaluated on a fair value basis, and recognised the corresponding liability as financial liabilities at FVTPL as disclosed in Note 27. The equity return swap was terminated and disposed on 22 June 2020.

Note 5: In 2018, the Group purchased a private investment fund at a consideration of USD10,000,000. The directors of the Company manage and its performance is evaluated on a fair value basis in accordance with the Group's investment strategy so that the Group designated the investment as financial assets at FVTPL on initial recognition. In 2020, the management reassessed the investment situation and classified the fund from non-current portion to current portion.

The Group held unlisted and unconsolidated investment funds of HK$231,338,709 (2019: HK$63,325,256) for capital appreciation and investment income. The interests held by the Group are in the form of participating shares which provide the Group with the share of returns from the investment funds, but not any decision making power nor any voting right. Given that the Group only held the beneficial interests without holding any voting right or substantial decision-making power as principal, these investments are classified as financial assets at fair value through profit or loss.

Note 6: During the year, the Group entered into a swap transaction with a third party, whereby the Group will finance USD36,000,000 on behalf of the counterparty. The final exchange amount will be the lower of the financing notional amount or the bond portfolio value. The Group has classified the investment as financial assets at FVTPL at inception as the investment is managed and its performance is evaluated on a fair value basis.

Certain financial assets at fair value through profit or loss acquired by the Group are primarily driven by customers' investment needs and used as hedging instruments for structured notes (Note 33) or derivative instruments acquired by customers (Note 25). As a result, the variable return of these financial products is not significant.

Fair value of the Group's financial assets at fair value through profit or loss are determined in the manner described in Note 43 to the consolidated financial statements.

In the opinion of the directors of the Company, non-current financial assets at fair value through profit or loss are not expected to be realised within one year from the end of the reporting period.

21. TRANSFFERED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

As at 31 December 2020, there was a debt security, with a nominal value of USD70 million, of which the risks and rewards are retained by a non-bank financial institution. The Group entered into an arrangement, whereby the Group remitted the received cash flow arising from the debt security and will transfer back the debt security to the non-bank financial institution upon maturity of the contract. The debt security was not recognised on the consolidated statement of financial position at 31 December 2020 as the Group is not exposed to significant risks and rewards of the debt security. There was no such arrangement at 31 December 2019.

22. LOAN RECEIVABLE

	2020 HK$	2019 HK$
Loan receivable - current	51,517,000	60,000,000
Less: Impairment allowance – Stage 3	(51,033,079)	(60,000,000)
	483,921	-

The following is a credit quality analysis of loan receivable:		
Impaired	51,517,000	60,000,000

As at 31 December 2020, an impairment allowance of HK$51,033,079 (2019: HK$60,000,000) has been provided on a loan receivable of HK$51,517,000 (2019: HK$60,000,000) which has been past due as at the end of the reporting period. In determining the amount of impairment allowance, management considered the financial background and repayment history of the borrower and future cash flows expected to be generated from the loan receivable.

Movements in the impairment allowance are as follows:

	2020 HK$	2019 HK$
Balance at beginning of the year	60,000,000	60,000,000
Reversal of impairment losses	(8,966,921)	-
	51,033,079	60,000,000

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$	2019 HK$
Other receivables	134,479,519	117,341,108
Deposits	11,562,367	11,706,688
Prepayments	5,808,229	4,960,856
	151,850,115	134,008,652
Less: Impairment allowance – Stage 1	(1,678,366)	(609,596)
	150,171,749	133,399,056
Analysed for reporting purposes as:		
Current assets	139,709,775	122,937,082
Non-current assets	10,461,974	10,461,974
	150,171,749	133,399,056

24. TRADE RECEIVABLES

(a) Analysed by nature:

	2020 HK$	2019 HK$
Trade receivables arising from the business of securities dealing and broking, corporate finance and advisory services and investment trading:		
Cash clients	567,176,752	163,074,611
Margin clients	3,504,607,386	3,214,295,074
Subscription of new shares in IPO	154,985,066	-
Hong Kong Securities Clearing Company Limited ("HKSCC")	242,876,518	149,920,250
The SEHK Options Clearing House Limited ("SEOCH")	4,555,240	4,457,237
Brokers	399,183,292	568,330,298
Reverse repurchase agreements (Note)	1,185,278,401	1,037,181,308
Corporate finance and advisory services customers	16,982,166	14,265,736
Underwriting and placing customers	5,056,052	26,064,238
Others	4,285,876	6,432,350
	6,084,986,749	5,184,021,102
Less: Impairment allowance recognised on margin clients	(319,650,500)	(250,565,713)
Impairment allowance recognised on reverse repurchase agreements	-	(21,439)
Impairment allowance recognised on other trade receivables	(15,760,419)	(7,414,484)
Total impairment allowance on trade receivables	(335,410,919)	(258,001,636)
	5,749,575,830	4,926,019,466

24. TRADE RECEIVABLES (CONTINUED)

(a) Analysed by nature: (continued)
Note:

The receivable from reverse repurchase agreements arises when the securities are bought by the Group with a concurrent agreement to resell at a specified later date and price. These securities are not recognised in the Group's consolidated statement of financial position as the counterparty retains substantially all risks and returns of the securities. The amount paid by the Group is recognised as receivable. In the event of default by the counterparty, the Group has the right to sell the underlying securities for settling the outstanding receivable.

As at 31 December 2020, the outstanding amount paid for the reverse repurchase agreements was HK$1,185,278,401 (2019: HK$1,037,181,308) and was recognised as receivable from reverse repurchase agreements.

The fair value of collaterals received for the outstanding receivable at the year end was HK$2,137,679,000 (2019: HK$1,779,035,000).

(b) Analysed for reporting purposes:

	2020 HK$	2019 HK$
Current assets	5,749,575,830	4,926,019,466

(c) Analysed by the Stages of ECLs:

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 31 December 2020	5,605,007,680	15,358,649	464,620,420	6,084,986,749

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 31 December 2019	4,203,239,307	49,323,557	931,458,238	5,184,021,102

The normal settlement terms of trade receivables from clients, brokers and clearing houses are within two days after trade date or at specific terms agreed with clearing houses and brokers. Trading limits are set for clients. Normal settlement terms of trade receivables from corporate finance and advisory services, underwriting and placing customers are determined in accordance with the contract terms.

As at 31 December 2020, the total market value of securities pledged as collaterals in respect of loans to margin clients was approximately HK$41,802,870,000 (2019: HK$30,103,432,000). The loans to margin clients bear variable interests at commercial rates, and are repayable on demand. No collateral was pledged for other trade receivables.

24. TRADE RECEIVABLES (CONTINUED)

Impairment
The movement in balance of loans to margin clients are as follows:

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2019	3,009,790,598	596,872,350	230,656,895	3,837,319,843
New assets originated or purchased	1,030,946,030	33,247,077	32,971,718	1,097,164,825
Assets derecognised or matured	(1,064,323,111)	(146,164,826)	(509,701,657)	(1,720,189,594)
Transfer to Stage 1	88,897,829	(82,042,064)	(6,855,765)	-
Transfer to Stage 2	(14,267,227)	14,400,560	(133,333)	-
Transfer to Stage 3	(814,510,012)	(366,989,540)	1,181,499,552	-
As at 31 December 2019	2,236,534,107	49,323,557	928,437,410	3,214,295,074

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2020	2,236,534,107	49,323,557	928,437,410	3,214,295,074
New assets originated or purchased	1,808,275,432	788,510	14,894,937	1,823,958,879
Assets derecognised or matured	(925,886,705)	(49,402,124)	(558,357,738)	(1,533,646,567)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(417,245)	417,245	-	-
Transfer to Stage 3	(65,538,219)	-	65,538,219	-
As at 31 December 2020	3,052,967,370	1,127,188	450,512,828	3,504,607,386

At 31 December 2019, there was a margin loan of which the listed securities pledged as collateral were judicially frozen. The carrying amount of the margin loan amounted to HK$503 million and the market value of the listed securities pledged as collateral was approximately HK$1,345 million. A life-time ECL impairment of HK$16 million was provided in the consolidated financial statements as at 31 December 2019. During the year ended 31 December 2020, the Group has fully recovered the margin loan.

The movement in balance of trade receivables arising from reverse repurchase agreements are as follows:

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2019	1,365,032,201	-	-	1,365,032,201
New assets originated or purchased	85,638,704	-	-	85,638,704
Assets derecognised or matured	(413,489,597)	-	-	(413,489,597)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2019	1,037,181,308	-	-	1,037,181,308

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2020	1,037,181,308	-	-	1,037,181,308
New assets originated or purchased	233,735,797	-	-	233,735,797
Assets derecognised or matured	(85,638,704)	-	-	(85,638,704)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2020	1,185,278,401	-	-	1,185,278,401

24. TRADE RECEIVABLES (CONTINUED)

Impairment (continued)
The movement in balance in other trade receivables are as follows:

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2019	3,418,063,702	-	-	3,418,063,702
New assets originated or purchased	36,311,721	-	-	36,311,721
Assets derecognised or matured	(2,521,045,368)	-	(785,335)	(2,521,830,703)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(3,806,163)	-	3,806,163	-
As at 31 December 2019	929,523,892	-	3,020,828	932,544,720

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2020	929,523,892	-	3,020,828	932,544,720
New assets originated or purchased	985,188,414	11,240,960	608,806	997,038,180
Assets derecognised or matured	(505,982,202)	(28,161,926)	(337,810)	(534,481,938)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(31,152,427)	31,152,427	-	-
Transfer to Stage 3	(10,815,768)	-	10,815,768	-
As at 31 December 2020	1,366,761,909	14,231,461	14,107,592	1,395,100,962

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

24. TRADE RECEIVABLES (CONTINUED)

Impairment (continued)

Movements in the impairment allowance are as follows:

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2019	8,814,535	239,625	45,914,664	54,968,824
Charge for the year	3,110,519	-	243,715,148	246,825,667
Reversal of impairment	(2,471,647)	(1,607)	(41,319,601)	(43,792,855)
Transfer to Stage 1	410,111	(238,018)	(172,093)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(6,003,923)	-	6,003,923	-
As at 31 December 2019	3,859,595	-	254,142,041	258,001,636

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 1 January 2020	3,859,595	-	254,142,041	258,001,636
Charge for the year	577,057	739,764	92,989,539	94,306,360
Reversal of impairment	(626,876)	(32,372)	(16,237,829)	(16,897,077)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(42,448)	42,448	-	-
Transfer to Stage 3	(2,547,269)	-	2,547,269	-
As at 31 December 2020	1,220,059	749,840	333,441,020	335,410,919

Trade receivables with a total carrying amount of HK$5,706,306,517 (2019: HK$4,881,929,719) which are neither past due nor impaired at the reporting date.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoiced date and net of impairment allowance, is as follows:

	2020 HK$	2019 HK$
1 - 30 days	36,291,030	32,526,681
31 - 60 days	340,797	567,059
61 - 90 days	561,612	537,485
Over 90 days	6,075,874	10,458,522
	43,269,313	44,089,747

The management considered there is no impairment required for those trade receivables that are past due but nor impaired as there are subsequent settlement or no change in credit quality for both years.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December					
	2020			2019		
	Notional amount HK$	Assets HK$	Liabilities HK$	Notional amount HK$	Assets HK$	Liabilities HK$
Stock index futures	823,915,971	13,223,745	1,143,134	73,439,139	28,550	1,054,505
Treasury bond futures	279,133,910	-	607,542	-	-	-
Total return swaps	340,005,544	16,652,263	-	3,115,480,000	11,031,796	-
	1,443,055,425	29,876,008	1,750,676	3,188,919,139	11,060,346	1,054,505

26. AMOUNT DUE FROM/TO A FELLOW SUBSIDIARY/THE ULTIMATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

27. LOAN FROM THE ULTIMATE HOLDING COMPANY

As at 31 December 2019, the loan from the ultimate holding company is unsecured, carries interests at fixed rate of 3.45% and repayable on demand. The loan was fully repaid during the year.

28. BANK BALANCES

	2020 HK$	2019 HK$
Bank balances in house accounts		
Cash and cash equivalents	936,210,498	540,774,191
Time deposits		
- with original maturity of less than three months when acquired	389,992,111	-
- with original maturity of more than three months but less than one year when acquired	7,481,254	-
	1,333,683,863	540,774,191
Bank balances in trust accounts (Note)	4,878,827,658	3,785,937,462
	6,212,511,521	4,326,711,653
Less: Impairment allowance – Stage 1	(546,052)	(400,667)
	6,211,965,469	4,326,310,986

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term time deposit rates. The carrying amounts of the cash and cash equivalents approximately to its fair value.

28. BANK BALANCES (CONTINUED)

As at 31 December 2020, the impairment allowance of bank balances in trust accounts amounted to HK$546,052 (2019: HK$400,667). It is classified as Stage 1 under ECL model and there was no transfer to/from the other Stages.

Note: From the Group's ordinary business, it receives and holds monies deposited by clients and other institutions in the course of conducing the regulated activities. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions as the Group currently does not have an enforceable right to offset these payables with the deposits placed. The fair values of these assets at the end of the reporting period approximate their carrying amounts.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$	2019 HK$
Current		
Financial liabilities held for trading and financial liabilities measured at FVTPL		
Debt securities	-	81,117,173
Analysed as:		
Unlisted	-	81,117,173
Non-current		
Financial assets measured at FVTPL		
Equity return swap	-	667,198,496
Analysed as:		
Unlisted	-	667,198,496

30. TRADE PAYABLES

Trade payables arising from the business of securities dealing and broking and investment trading are as follows:

	2020 HK$	2019 HK$
Brokers	2,570,924,761	782,986,901
Cash clients	2,435,752,932	2,126,974,964
Margin clients	2,930,313,343	1,827,173,988
HKSCC	62,989,436	81,707,591
Others	3,020,776	6,262,199
	8,003,001,248	4,825,105,643

The normal settlement terms of trade payables arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses and brokers. Trade payables to certain cash and margin clients arising from the business of dealing in securities bear variable interests at commercial rates, and are repayable on demand subsequent to settlement date.

As at 31 December 2020, included in trade payables to brokers was a margin loan of HK$2,505,465,205 (2019: HK$761,065,411) from a broker bearing interest ranging from LIBOR + 0.65% to LIBOR + 1% (2019: LIBOR + 0.3% to LIBOR + 1%). The total market value of debt securities pledged as collaterals in respect of this margin loan was approximately HK$3,177,820,000 (2019: HK$899,707,000). No collateral was pledged on other trade payables.

As at 31 December 2020, trade payables with a total carrying amount of HK$4,878,827,658 (2019: HK$3,785,937,462) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

31. CONTRACT LIABILITIES

	2020 HK$	2019 HK$
Deferred fee income	9,818,250	10,911,730

32. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2020 HK$	2019 HK$
Current		
Analysed by collateral type:		
Debt securities	2,319,886,201	2,348,360,346
Analysed by market:		
Over-the-counter	2,319,886,201	2,348,360,346

The financial assets sold under repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not derecognised from the Group's consolidated statement of financial position and are retained within the appropriate financial assets classification. The amount received by the Group is recognised as liabilities as the Group retains substantially all risks and returns of the securities.

As at 31 December 2020, the outstanding amount received from repurchase agreements was HK$2,319,886,201 (2019: HK$2,348,360,346) and was recognised as financial assets sold under repurchase agreements. The fair value of the assets pledged as collaterals amounted to HK$3,437,745,000 (2019: HK$3,107,009,000) as at 31 December 2020.

33. DEBT SECURITIES IN ISSUE

	2020 HK$	2019 HK$
Current		
Financial liabilities designated at FVTPL at inception		
Structured notes	987,619,514	-
denominated in:		
US$	987,619,514	-

At 31 December 2020, the outstanding balance of HK$987,619,514 (2019: Nil) represented the amount of unlisted structured notes which arose from selling structured products with underlying investments related to unlisted debt securities and unlisted investment funds. The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year.

34. NOTE PAYABLE

	2020 HK$	2019 HK$
Global Health Science Fund II, L.P., a joint venture	67,446,750	204,842,810

Note payable of HK$137.4 million was redeemed in 2020. The remaining note payable is unsecured, carries interests at rate of HIBOR + 2% and repayable on demand.

35. BANK BORROWINGS

	2020 HK$	2019 HK$
The carrying amounts of the bank borrowings are repayable:		
Within one year	3,493,964,926	684,004,328
Within a period of more than one year but not exceeding five years	-	1,181,833,142
	3,493,964,926	1,865,837,470

As at 31 December 2020, certain bank borrowings with a total carrying amount of HK$176,356,800 (2019: HK$99,851,200) were repledged by clients' securities and the remaining balance is unsecured. As at 31 December 2020, the total market value of securities repledged amounted to HK$3,548,668,000 (2019: HK$2,460,683,000). The bank borrowings bear variable interest rates at annual rates ranging from LIBOR + 1.30% to LIBOR + 2.20% or HIBOR + 1.30% or cost of fund rate + 1.10% (2019: LIBOR + 1.30% to LIBOR + 1.65% or cost of fund rate + 1.10%).

36. THIRD-PARTY INTERESTS IN CONSOLIDATED INVESTMENT FUNDS

Third-party interests in consolidated investment funds consist of third-party unitholders' interests in consolidated investment funds which are reflected as liabilities since they can be put back to the Group for cash. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unitholders in consolidated investment funds that are subject to market risk and the actions of third-party investors.

37. SHARE CAPITAL

	Number of shares		Share capital	
	2020	2019	2020 HK$	2019 HK$
Issued and fully paid:				
At beginning and end of year	5,600,000,000	5,600,000,000	5,600,000,000	5,600,000,000

38. PRINCIPAL SUBSIDIARIES

The below table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of the Company's principal subsidiaries as at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation	Class of shares	Issued share capital	Ownership interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2020	2019	2020	2019	
GF Securities (Hong Kong) Brokerage Limited	Hong Kong	Ordinary	HK$2,800,000,000	100%	100%	-	-	Securities brokerage
GF Capital (Hong Kong) Limited	Hong Kong	Ordinary	HK$130,000,000	100%	100%	-	-	Advisory services
GF Asset Management (Hong Kong) Limited	Hong Kong	Ordinary	HK$325,000,000	100%	100%	-	-	Asset management
GF Investments (Hong Kong) Company Limited	Hong Kong	Ordinary	HK$5,000,000	100%	100%	-	-	Investment holding
GF Global Capital Limited	Hong Kong	Ordinary	HK$1,600,000,000	100%	100%	-	-	Investment trading
GF Wealth Management (Hong Kong) Limited	Hong Kong	Ordinary	HK$15,000,000	-	-	100%	100%	Financial management
GF Canada Holdings Company Limited	Canada	Ordinary	CAD3,000,000	100%	100%	-	-	Investment holding
GF Asset Management (Canada) Company Limited	Canada	Ordinary	CAD3,000,000	-	-	100%	100%	Asset management
GF Securities (Canada) Company Limited	Canada	Ordinary	CAD16,400,000	-	-	100%	100%	Financial management
Guangfa Xinde Capital Management Limited	British Virgin Islands	Ordinary	USD100	-	-	100%	100%	Investment management
GF Bright Investment Limited	British Virgin Islands	Ordinary	-	-	-	100%	100%	Equity investment
GF Investments (Cayman) Company Limited	Cayman Islands	Ordinary	USD600,000	-	-	100%	100%	Advisory services
GF Investment Management (Hong Kong) Company Limited	Hong Kong	Ordinary	HK$3,800,000	-	-	100%	100%	Advisory services
GF Energy Investment Limited	British virgin Islands	Ordinary	USD1	-	-	91.85%	91.85%	Equity investment
GF Partners Ltd.	Cayman Islands	Ordinary	USD1	-	-	51%	51%	Investment trading

38. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of the Company's principal subsidiaries as at 31 December 2020 and 2019 are as follows: (continued)

Name of subsidiary	Place of incorporation	Class of shares	Issued share capital	Ownership interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2020	2019	2020	2019	
廣發金控(深圳)投資管理有限公司	PRC	Ordinary	RMB10,000,000	-	-	100%	100%	Investment advisory
GF Wise Limited (previously known as "GF Tarena Limited")	British Virgin Islands	Ordinary	USD50,000	-	-	100%	100%	Investment trading
SF Project (Cayman) Limited	Cayman Islands	Ordinary	-	-	-	-	100%	Investment holding
Canton Fortune Limited	Hong Kong	Ordinary	USD6,510,410	-	-	100%	100%	Investment holding
GF GTEC Investment Management Ltd.	Cayman Islands	Ordinary	USD100	-	-	100%	100%	Asset management
GF Optimus Ltd. (previously known as “GF Qianheng I Limited”)	British Virgin Islands	Ordinary	-	-	-	100%	100%	Equity investment
GF Global Partners Ltd.	Cayman Islands	Ordinary	USD0.01	-	-	100%	100%	Investment holding
GFGI Limited	Cayman Islands	Ordinary	USD0.01	-	-	100%	100%	Equity investment
Ever Glory Limited	Cayman Islands	Ordinary General Partner	USD1 -	- -	- -	100% -	100% -	Investment trading
Ever Alpha Fund L.P.	Cayman Islands	Limited Partner	USD70,000,000	-	-	21.43%	21.43%	Equity investment
GF China Advantage Fund L.P.	Cayman Islands	General Partner Limited Partner	USD85,368 USD19,919,032	- -	- -	51% 57.12%	51% 57.12%	Investment trading
GF Global Investment Fund I, L.P.	Cayman Islands	General Partner Limited Partner	- USD40,678,424	- -	- -	- 50.50%	- 50.41%	Equity investment
Horizon Holdings	Cayman Islands	Ordinary	USD1	-	-	36.84%	36.84%	Equity investment

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreements signed between the Group and the customers, money obligation receivable and payable with the same customer are settled on a net basis.

Under the continuous net settlement, money obligation receivable and payable with HKSCC and other brokers on the same settlement date are settled on a net basis.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are disclosed as follows.

As at 31 December 2020

	Gross amounts of recognised financial assets HK$	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position HK$	Net HK$
Description					
Trade receivables from clearing house, brokers, IPO, cash and margin clients	7,459,223,459	(2,974,410,221)	4,484,813,238	-	4,484,813,238
Derivative financial assets (Note 25)	29,876,008	-	29,876,008	-	29,876,008
	7,489,099,467	(2,974,410,221)	4,514,689,246	-	4,514,689,246

	Gross amounts of recognised financial liabilities HK$	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position HK$	Net HK$
Description					
Trade payables to clearing house, brokers, cash and margin clients	10,974,390,693	(2,974,410,221)	7,999,980,472	-	7,999,980,472
Derivative financial liabilities (Note 25)	1,750,676	-	1,750,676	-	1,750,676
	10,976,141,369	(2,974,410,221)	8,001,731,148	-	8,001,731,148

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2019

	Gross amounts of recognised financial assets HK$	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position HK$	Net HK$
Description					
Trade receivables from clearing house, brokers, IPO, cash and margin clients	4,903,420,617	(1,053,908,860)	3,849,511,757	-	3,849,511,757
Derivative financial assets (Note 25)	11,060,346	-	11,060,346	-	11,060,346
	4,914,480,963	(1,053,908,860)	3,860,572,103	-	3,860,572,103

	Gross amounts of recognised financial liabilities HK$	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position HK$	Net HK$
Description					
Trade payables to clearing house, brokers, cash and margin clients	5,872,752,304	(1,053,908,860)	4,818,843,444	-	4,818,843,444
Derivative financial liabilities (Note 25)	1,054,505	-	1,054,505	-	1,054,505
	5,873,806,809	(1,053,908,860)	4,819,897,949	-	4,819,897,949

The tables below reconcile the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position.

	2020 HK$	2019 HK$
Trade receivables		
Net amount of trade receivables as stated above	4,484,813,238	3,849,511,757
Amount not in scope of offsetting disclosures	1,264,762,592	1,076,507,709
Total amount of trade receivables as stated in Note 24	5,749,575,830	4,926,019,466
Trade payables		
Net amount of trade payables as stated above	7,999,980,472	4,818,843,444
Amount not in scope of offsetting disclosures	3,020,776	6,262,199
Total amount of trade payables as stated in Note 30	8,003,001,248	4,825,105,643

40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following major transactions with related parties during both years:

	Management fee income	
	2020	2019
	HK$	HK$
Associate	978,990	988,808

	Interest income	
	2020	2019
	HK$	HK$
Joint venture	453,940	426,355

	Brokerage commission expenses	
	2020	2019
	HK$	HK$
Fellow subsidiary	113,743	165,787

	Interest expenses	
	2020	2019
	HK$	HK$
Ultimate holding company	9,674,541	19,144,078
Fellow subsidiary	37,374	48,951
Joint ventures	3,649,633	9,101,748
Associate	-	184,398

	Other operating expenses	
	2020	2019
	HK$	HK$
Ultimate holding company	2,062,231	1,770,717
Fellow subsidiary	211,836	-

Compensation of key management personnel

The remuneration of HK$17,192,465 (2019: HK$22,040,185) were paid to directors and members of key management of the Company during the year.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss mandatorily designated as such HK$	Financial assets at fair value through other comprehensive income Debt investments HK$	Financial assets at amortised cost HK$	Total HK$
Financial assets at fair value through profit or loss	9,029,395,739	-	-	9,029,395,739
Investments in associates	60,080,945	-	-	60,080,945
Derivative financial assets	29,876,008	-	-	29,876,008
Debt investments at fair value through profit or loss	-	1,015,771,217	-	1,015,771,217
Loans and receivables (including bank balances)	-	-	12,106,388,739	12,106,388,739
	9,119,352,692	1,015,771,217	12,106,388,739	22,241,512,648

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition HK$	Held for trading HK$	Financial liabilities at amortised cost HK$	Total HK$
Debt securities in issue	987,619,514	-	-	987,619,514
Derivative financial liabilities	-	1,750,676	-	1,750,676
Third-party interest in consolidated investment funds	-	1,412,910,731	-	1,412,910,731
Other financial liabilities	-	-	14,341,793,541	14,341,793,541
	987,619,514	1,414,661,407	14,341,793,541	16,744,074,462

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019

Financial assets

	Financial assets at fair value through profit or loss mandatorily designated as such HK$	Financial assets at fair value through other comprehensive income Debt investments HK$	Financial assets at amortised cost HK$	Total HK$
Financial assets at fair value through profit or loss	4,449,353,317	-	-	4,449,353,317
Investments in associates	231,204,039	-	-	231,204,039
Derivative financial assets	11,060,346	-	-	11,060,346
Debt investments at fair value through profit or loss	-	2,521,257,731	-	2,521,257,731
Loans and receivables (including bank balances)	-	-	9,429,320,559	9,429,320,559
	4,691,617,702	2,521,257,731	9,429,320,559	16,642,195,992

Financial liabilities

	Financial liabilities at fair value through profit or loss Held for trading HK$	Financial liabilities at amortised cost HK$	Total HK$
Financial liabilities at fair value through profit or loss	748,315,669	-	748,315,669
Derivative financial liabilities	1,054,505	-	1,054,505
Third-party interest in consolidated investment funds	612,955,678	-	612,955,678
Other financial liabilities	-	9,962,555,594	9,962,555,594
	1,362,325,852	9,962,555,594	11,324,881,446

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include derivative financial assets, investments in associates measured at fair value, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loan receivable, trade receivables, other receivables and deposits, amount due from a fellow subsidiary, bank balances, amount due to a fellow subsidiary, derivative financial liabilities, financial liabilities at fair value through profit or loss, trade payables, note payable, bank borrowings, debt securities in issue, amount due to the ultimate holding company, other payables, third-party interests in consolidated investment funds, contract liabilities and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group's activities expose it primarily to the market risk of changes in interest rates, equity prices, and foreign exchange rates.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan receivable and loan from the ultimate holding company bearing interest at fixed rates. The management considers that the risk is insignificant as these amounts are carried at amortised cost.

The Group is also exposed to fair value interest rate risk that primarily relates to debt securities classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income bearing interest at fixed rates.

Sensitivity analysis

As at 31 December 2020, if interest rates had been 10 basis points (2019: 10 basis points) higher/lower for debt securities classified as financial assets at fair value through profit or loss and financial assets at other comprehensive income with all other variables held constant, profit before taxation would decrease/increase by approximately HK$73,961,000/HK$77,014,000 (2019: loss before taxation would increase/decrease by approximately HK$20,891,000/HK$21,693,000) and investment revaluation reserve would decrease/increase by approximately HK$4,301,000/HK$4,869,000 (2019: decrease/increase by approximately (HK$27,234,000/HK$28,000,000), respectively.

Cash flow interest rate risk

The Group is also exposed to cash flow interest rate risk through the impact of rate changes on financial assets and liabilities bearing interest at variable rates, which are mainly, bank balances carrying interests at prevailing market rates, debt securities (including financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss), trade receivables and bank borrowings.

The following table summarises the effective interest rates of major variable-rate interest bearing financial assets and liabilities as at the end of reporting period.

	2020	2019
Effective interest rate		
Bank balances	Prevailing market rates	Prevailing market rates
Debt securities	Rates determined by the issuers	Rates determined by the issuers
Receivables from cash clients *	Prime rate + 8%	Prime rate + 8%
Receivables from margin clients	Prime rate + 3%	Prime rate + 3%
Bank borrowings	LIBOR + 1.30% to LIBOR + 2.20% or HIBOR + 1.30% or cost of fund rate + 1.10%	LIBOR + 1.30% to LIBOR + 1.65% or cost of fund rate + 1.10%

* when overdue

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)
Sensitivity analysis

The sensitivity analysis for the year ended 31 December 2020 below has been determined based on the exposures to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 50 basis points (2019: 50 basis points) change is used for trade receivables from cash and margin clients and bank borrowings while 4 basis points (2019: 4 basis points) change is used for bank balances and 10 basis points (2019: 10 basis points) is used for debt securities when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible changes in interest rates. The following indicates a change in profit before taxation (2019: loss before taxation) when the interest rates of the financial assets and liabilities increase/decrease by the respective rates mentioned above.

	Impact	
	Increase/ decrease in profit before tax 2020 HK$	Decrease/ increase in loss before tax 2019 HK$
For the year ended 31 December	6,048,748	10,008,672

Price risk

The Group is exposed to equity securities price risk from its listed equity securities and investment funds held by the Group which are classified in the consolidated statement of financial position as financial assets at fair value through profit or loss. Price risk is the risk of changes in fair value of financial instruments from fluctuations, whether such a change in price is caused by factors specific to the individual instruments or factors affecting all instruments traded in the markets. The principal investment objective of the Group is to achieve capital appreciations and steady returns through investing primarily in securities of companies which are listed, quoted or traded on major stocks exchanges worldwide. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is 20% (2019: 20%) as a result of the volatile financial market.

If prices had been 20% (2019: 20%) higher/lower, profit before taxation for the year ended 31 December 2020 would increase/decrease by approximately HK$382,693,000 (2019: loss before taxation would decrease/increase by approximately HK$204,941,000).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

	Assets		Liabilities	
	2020 HK$	2019 HK$	2020 HK$	2019 HK$
United States Dollars ("USD")	12,961,965,487	8,714,122,948	11,168,746,269	7,616,057,912
Renminbi ("RMB")	844,491,341	1,246,111,497	468,512,908	905,866,424
Australian Dollars ("AUD")	5,173,556	8,108,382	1,169,344	4,519,556
Canadian Dollars ("CAD")	38,568,249	50,282,517	7,074,285	8,494,621
European Dollars ("EUR")	2,021,216	3,588,072	518,322	1,598,821
Japanese Yen ("JPY")	944,675	898,308	6,122	3,631
British Pound ("GBP")	2,832,638	2,186,069	60,414	1,588,255
Singapore Dollars ("SGD")	5,818,955	9,683,547	2,643,205	6,652,521
Korean Won ("KRW")	169,256	231,428	-	-
Thai Baht ("THB")	1,011	675	-	-
Swiss Francs ("CHF")	35,707	32,745	-	-

The main currency risk exposed to the Group is HK$ against USD, RMB, AUD, CAD, EUR, JPY, GBP, SGD and KRW. There is no sensitivity analysis for USD prepared as the management considered that the effect is insignificant under the linked exchange rate system. For the currency risk exposure in HK$ against THB and CHF, the potential impacts on profit or loss to the Group are insignificant.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in HK$ against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used when reporting the foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the year end at 5% (2019: 5%) change in foreign currency rates. The following indicates a increase in profit before taxation (2019: decrease in loss before taxation) where HK$ weaken against the relevant foreign currencies by 5%. For a 5% strengthening of HK$ against the relevant foreign currencies, the impact on the profit before taxation (2019: loss before taxation) would be equal but opposite.

	Impact	
	Increase in profit before tax 2020 HK$	Decrease in loss before tax 2019 HK$
- RMB	18,798,922	17,012,254
- AUD	200,211	179,441
- CAD	1,574,698	2,089,395
- SGD	158,788	151,551
- EUR	75,145	99,463
- JPY	46,928	44,734
- GBP	138,611	29,891
- KRW	8,463	11,571

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amounts of respective recognised financial assets as stated in the consolidated statement of financial position.

Other than concentration of credit risk on bank balances which are deposited with several banks with high credit ratings, trade receivables and loan receivable as mentioned above, the Group had no significant concentration of credit risk by any single debtor, with exposures spread over a number of counterparties. The credit risk on debt securities are limited as the Group has a documented policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The credit ratings of its counterparties are continuously monitored by the Group and rated by well-known rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC.

The Group has concentration of credit risk of bank balances and brokers included in trade receivables which are deposited at a bank and a security broker in Hong Kong that represent 25% and 26% (2019: 29% and 67%) of the Group's bank balances and trade receivables from brokers. The top five margin clients represent 42% (2019: 43%) of the total receivable from margin clients as at 31 December 2020. The Group also has concentration of credit risk of a client for loan receivable, which represents 100% of the loan receivable as at 31 December 2020.

In order to minimise the credit risk mentioned above, the Group reviews the recoverable amount of trade receivables and loan receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and trade receivables from brokers is limited because the counterparties are banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Group manages liquidity risk by maintaining adequate reserves and sufficient level of bank balances.

Internally generated cash flow is the main source of funds to finance the operations of the Group. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

As at 31 December 2020, the Group has available unutilised bank facilities of approximately HK$7,679 million (2019: HK$11,663 million).

The following tables detail the Group's expected maturity for its financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Repayable on demand HK$	Less than 3 months HK$	3 months to 1 year HK$	1 year to 5 years HK$	More than 5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
2020							
Non-derivative financial liabilities							
Debt securities in issue	-	-	987,619,514	-	-	987,619,514	987,619,514
Trade payables	7,215,573,180	787,428,068	-	-	-	8,003,001,248	8,003,001,248
Bank borrowings	2,310,722,018	1,880,264	1,190,556,876	-	-	3,503,159,158	3,493,964,926
Other payables	365,167,820	700,562	-	-	-	365,868,382	365,868,382
Third party interests in consolidated investment funds	1,207,167,588	-	-	205,743,143	-	1,412,910,731	1,412,910,731
Amount due to the ultimate holding company	5,687,061	-	-	-	-	5,687,061	5,687,061
Amount due to a fellow subsidiary	63,770,722	-	-	-	-	63,770,722	63,770,722
Note payable	67,446,750	-	-	-	-	67,446,750	67,446,750
Financial assets sold under repurchase agreements	1,481,903,566	845,637,296	-	-	-	2,327,540,862	2,319,886,201
Contract liabilities	9,818,250	-	-	-	-	9,818,250	9,818,250
Lease liabilities	-	4,409,452	2,759,970	5,525,576	852,373	13,547,371	12,350,001
	12,727,256,955	1,640,055,642	2,180,936,360	211,268,719	852,373	16,760,370,049	16,742,323,786
Derivative financial liabilities	-	1,750,676	-	-	-	1,750,676	1,750,676

	Repayable on demand HK$	Less than 3 months HK$	3 months to 1 year HK$	1 year to 5 years HK$	More than 5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
2019							
Non-derivative financial liabilities							
Financial liabilities at fair value through profit or loss	81,117,173	-	-	667,198,496	-	748,315,669	748,315,669
Trade payables	4,508,510,832	316,594,811	-	-	-	4,825,105,643	4,825,105,643
Bank borrowings	684,560,843	3,418,437	-	1,210,533,142	-	1,898,512,422	1,865,837,470
Other payables	35,812,484	-	-	-	-	35,812,484	35,812,484
Third party interests in consolidated investment funds	437,656,048	-	-	175,299,630	-	612,955,678	612,955,678
Amount due to the ultimate holding company	26,775,479	-	-	-	-	26,775,479	26,775,479
Loan from the ultimate holding Company	539,404,635	-	-	-	-	539,404,635	539,404,635
Amount due to a fellow subsidiary	59,709,159	-	-	-	-	59,709,159	59,709,159
Note payable	204,842,810	-	-	-	-	204,842,810	204,842,810
Financial assets sold under repurchase agreements	-	2,363,511,946	-	-	-	2,363,511,946	2,348,360,346
Contract liabilities	10,911,730	-	-	-	-	10,911,730	10,911,730
Lease liabilities	-	8,798,922	26,189,681	12,204,399	1,221,808	48,414,810	45,795,838
	6,589,301,193	2,692,324,116	26,189,681	2,065,235,667	1,221,808	11,374,272,465	11,323,826,941
Derivative financial liabilities	-	1,054,505	-	-	-	1,054,505	1,054,505

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2020			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Financial assets at fair value through profit or loss				
- Equity securities	397,154,541	-	2,431,564,450	2,828,718,991
- Investment funds	-	17,001,167	291,862,542	308,863,709
- Debt securities	-	5,655,400,551	236,412,488	5,891,813,039
Investments in associates at fair value through profit or loss	-	-	60,080,945	60,080,945
Debt securities at fair value through other comprehensive income	-	679,523,696	336,247,521	1,015,771,217
Derivative financial assets	13,223,745	16,652,263	-	29,876,008
Total	410,378,286	6,368,577,677	3,356,167,946	10,135,123,909
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Investment funds	-	-	1,412,910,731	1,412,910,731
Debt securities in issue	-	916,707,275	70,912,239	987,619,514
Derivative financial liabilities	1,750,676	-	-	1,750,676
Total	1,750,676	916,707,275	1,483,822,970	2,402,280,921

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) **Fair value hierarchy** (continued)

	31 December 2019			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Financial assets at fair value through profit or loss				
- Equity securities	961,379,081	-	1,027,328,008	1,988,707,089
- Investment funds	-	63,325,256	768,212,778	831,538,034
- Debt securities	-	1,263,747,442	365,360,752	1,629,108,194
Investments in associates at fair value through profit or loss	-	-	231,204,039	231,204,039
Debt securities at fair value through other comprehensive income	-	2,130,849,143	390,408,588	2,521,257,731
Derivative financial assets	28,550	-	11,031,796	11,060,346
Total	961,407,631	3,457,921,841	2,793,545,961	7,212,875,433
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Investment funds	-	-	612,955,678	612,955,678
- Debt securities	-	81,117,173	-	81,117,173
- Equity return swap	-	-	667,198,496	667,198,496
Derivative financial liabilities	1,054,505	-	-	1,054,505
Total	1,054,505	81,117,173	1,280,154,174	1,362,325,852

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions

The following table summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of the Group's Level 3 assets and liabilities.

As at 31 December 2020

	HK$	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value to the input
Financial assets					
Financial assets at fair value through profit or loss					
- Listed equity securities	1,499,311,176	Listed price with discount	Discount rate	14.18%	10% increase or decrease in the discount rate, the fair value would be decreased by HK$150 million or increased by HK$150 million, respectively.
- Unlisted equity securities	331,347,564	Market approach	Price to earnings multiple	42.3	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$33 million or decreased by HK$33 million, respectively.
- Unlisted equity securities	277,041,689	Market Approach	Price to book multiple	1.26	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$28 million or decreased by HK$28 million, respectively.
- Unlisted redeemable convertible preference shares	323,864,022	Recent transaction price	N/A	N/A	N/A
- Unlisted investment fund	77,525,000	Recent transaction price	N/A	N/A	N/A
- Unlisted investment fund	214,337,542	Net asset value	N/A	N/A	N/A
- Unlisted debt securities	35,118,825	Discount cash flow	Discount rate	12%	10% increase or decrease in the discount rate, the fair value would be decreased by HK$4 million or increased by HK$4 million, respectively.
- Unlisted debt securities	201,293,662	Broker quotation	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
- Unlisted debt securities	336,247,521	Broker quotation	N/A	N/A	N/A
Investments in associates at fair value through profit or loss	60,080,945	Market approach	Price to sales multiple	1.35-9.11	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$6 million or decreased by HK$6 million, respectively.
Financial liabilities					
Debt securities in issue					
- Unlisted debt securities	70,912,239	Net asset value	N/A	N/A	N/A
Financial liabilities at fair value through profit or loss					
- Unlisted investment funds	1,412,910,731	Recent transaction price	N/A	N/A	N/A

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions (continued)

As at 31 December 2019

	HK$	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value to the input
Financial assets					
Financial assets at fair value through profit or loss					
- Unlisted equity securities	330,161,271	Market approach	Price to book multiple	1.17	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$33 million or decreased by HK$33 million, respectively.
- Unlisted equity securities	274,091,603	Recent transaction price	N/A	N/A	N/A
- Unlisted redeemable convertible preference shares	423,075,134	Recent transaction price	N/A	N/A	N/A
- Unlisted investment fund	690,325,778	Market approach	Price to earnings multiple	0.93	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$69 million or decreased by HK$69 million, respectively.
- Unlisted investment fund	77,887,000	Recent transaction price	N/A	N/A	N/A
- Unlisted debt securities	35,282,811	Discount cash flow	Discount rate	12%	10% increase or decrease in the discount rate, the fair value would be decreased by HK$4 million or increased by HK$4 million, respectively.
- Unlisted debt securities	330,077,941	Broker quotation	N/A	N/A	N/A
Financial assets					
Financial assets at fair value through other comprehensive income					
- Unlisted debt securities	390,408,588	Broker quotation	N/A	N/A	N/A
Derivative financial assets					
- Total return swaps	11,031,796	Broker quotation	N/A	N/A	N/A
Investments in associates at fair value through profit or loss	231,204,039	Market approach	Price to sales multiple	4.86-15	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$23 million or decreased by HK$23 million, respectively.
Financial liabilities					
Financial liabilities at fair value through profit or loss					
- Unlisted investment funds	612,955,678	Recent transaction price	N/A	N/A	N/A
- Equity return swap	667,198,496	Market approach	Price to earnings multiple	0.93	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$67 million or decreased by HK$67 million, respectively.

There were no transfers between Level 1 and Level 2 in the current year and prior year.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Reconciliation of Level 3 fair value measurements

	Derivative financial assets HK$	Derivative financial liabilities HK$	Debt securities in issue HK$	Financial assets at fair value through profit or loss HK$	Financial asset at fair value through other comprehensive income HK$	Financial liabilities at fair value through profit or loss HK$	Investments in associates at fair value through profit or loss HK$
At 1 January 2019	12,040,354,900	14,127,776,344	-	3,646,667,349	-	524,457,570	217,992,110
Purchase	-	-	-	54,520,900	-	-	-
Disposals	(12,006,314,243)	(14,127,776,344)	-	(965,444,490)	-	-	-
Transfer in	-	-	-	160,657,725	390,611,025	582,397,764	-
Transfer out	-	-	-	(820,723,486)	-	-	-
Fair value changes	(23,008,861)	-	-	85,223,540	(202,437)	173,298,840	13,211,929
At 31 December 2019 and 1 January 2020	11,031,796	-	-	2,160,901,538	390,408,588	1,280,154,174	231,204,039
Purchase	-	-	59,694,250	307,367,542	-	-	-
Disposal	(11,031,796)	-	-	(1,018,361,542)	-	(667,198,496)	-
Transfer in	-	-	-	1,499,311,176	-	-	-
Transfer out	-	-	-	-	-	-	-
Fair value changes		-	11,217,989	10,620,766	(54,161,067)	799,955,053	(171,123,094)
At 31 December 2020	-	-	70,912,239	2,959,839,480	336,247,521	1,412,910,731	60,080,945

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair value of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis.

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the shareholder, 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 equity attributable to equity holders of the Company, comprising issued share capital, investment revaluation reserve, foreign currency translation reserve, general reserve and accumulated losses.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

Three of the subsidiaries within the Group are licensed to carry out regulated activities in Hong Kong and are regulated by the Hong Kong Securities and Futures Commission (the "SFC") and each of them is required to comply with the minimum capital requirements according to Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The management monitors, on a daily basis, each of the subsidiaries' liquid capital to ensure it meets the minimum liquid capital requirement in accordance with the SF(FR)R. There is no non-compliance with the capital requirements imposed by the SF(FR)R during both years.

In addition, one of the subsidiaries within the Group is a member of the Professional Insurance Brokers Association Limited ("PIBA") and is licensed in to carry out insurance brokerage business. The subsidiary is required to maintain a minimum net assets value of HK$100,000 at all times. The management closely monitors the regulatory capital requirements. There is no non-compliance with the regulatory capital requirements imposed by PIBA during both years.

45. DISPOSAL / LOSS OF CONTROL OF SUBSIDIARIES

SF Project (Cayman) Limited

During the year ended 31 December 2020, the Group disposed SF Project (Cayman) Limited, an investment holding company by striking off from the Company Register. The cash consideration arising from the disposal was nil.

The disposal / loss of control of subsidiaries during the year ended 31 December 2019 are described in below.

GTEC Pandion Multi-Strategy Fund SP (Segregated Portfolio)

In June 2019, a receivership order was made by the Grand Court of the Cayman Islands in relation to the GTEC Pandion Multi-Strategy Fund SP. Subsequent to the appointment of the receiver, management considers that the Group has lost control of the fund and accordingly the fund is not consolidated by the Group. As at the date of the loss of control of the fund, the net value of the fund has not been agreed between the fund manager and the prime broker. The cash consideration arising from losing control of the fund was nil.

The investment gains or losses of the fund prior to the date of deconsolidation, as well as the gain on disposal of the fund are recorded under “Net realised gains on derivative financial instruments and others” for the year ended 31 December 2019, in Note 6 – Other Gains and Losses to the consolidated income statement, the total amount of which is a gain of approximately USD44 million.

GTEC Neutron Equity Market Neutral Fund SP (Segregated Portfolio) and GTEC Proton Equity Fund SP (Segregated Portfolio)

During the year ended 31 December 2019, the Group disposed the funds which carried out investment trading activities by redeeming all participating shares.

	Neutron 2019 HK$	Proton 2019 HK$	Total 2019 HK$
Consideration received			
Cash received in cash and cash equivalents	30,742,938	203,539,860	234,282,798

Analysis of assets and liabilities over which control was lost

	2019 HK$	2019 HK$	2019 HK$
Current assets			
Trade receivables	81,914,069	211,585,693	293,499,762
Financial assets at fair value through profit or loss	56,753,829	-	56,753,829
Derivative financial assets	358,641	-	358,641
Other receivables, deposits and prepayments	441,740	-	441,740
Bank balances and cash	517,384	1,471,323	1,988,707
	139,985,663	213,057,016	353,042,679
Current liabilities			
Derivative financial liabilities	245,713	-	245,713
Financial liabilities at fair value through profit or loss	17,075,000	-	17,075,000
Accrued charges and other payables	513,537	426,146	939,683
	17,834,250	426,146	18,260,396
Net assets disposed of	122,151,413	212,630,870	334,782,283

45. DISPOSAL / LOSS OF CONTROL OF SUBSIDIARIES (CONTINUED)

GTEC Neutron Equity Market Neutral Fund SP (Segregated Portfolio) and GTEC Proton Equity Fund SP (Segregated Portfolio) (continued)

	Neutron 2019 HK$	Proton 2019 HK$	Total 2019 HK$
Consideration received	30,742,938	203,539,860	234,282,798
Redemption funds holdback	1,618,049	10,712,624	12,330,673
Net assets disposed of	(122,151,413)	(212,630,870)	(334,782,283)
Third party interest in consolidated investment funds	87,887,942	-	87,887,942
Cumulative exchange gain in respect of the new assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiaries	3,208,095	(1,037,487)	2,170,608
Gain on disposal	1,305,611	584,127	1,889,738

Net cash inflow on disposal of subsidiaries

	2019 HK$	2019 HK$	2019 HK$
Consideration received in cash and cash equivalents	30,742,938	203,539,860	234,282,798
Less: cash and cash equivalents balances disposed of	(517,384)	(1,471,323)	(1,988,707)
	30,225,554	202,068,537	232,294,091

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Year ended 31 December 2020

	Debt securities in issue HK$	Financial assets sold under repurchase agreements HK$	Lease liabilities HK$	Loan from the ultimate holding company HK$	Bank borrowings HK$	Note payable HK$	Interest payable HK$
At 1 January 2020	-	2,348,360,346	45,795,838	539,404,635	1,865,837,470	204,842,810	16,344,083
Financing cash flows	935,175,752	(28,474,145)	(33,312,448)	(539,404,635)	1,628,127,456	(137,396,060)	(216,065,215)
Net change in lease liabilities	-	-	(378,423)	-	-	-	-
Exchange differences	(149,565)	-	245,034	-	-	-	-
Fair value changes	52,593,327	-	-	-	-	-	-
Interest expenses	-	-	1,387,412	-	-	-	212,814,478
Interest paid classified as operating cash flow	-	-	(1,387,412)	-	-	-	-
At 31 December 2020	987,619,514	2,319,886,201	12,350,001	-	3,493,964,926	67,446,750	13,093,346

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Changes in liabilities arising from financing activities (continued)

Year ended 31 December 2019

	Financial assets sold under repurchase agreements	Lease liabilities	Loan from the ultimate holding company	Bank borrowings	Note payable	Interest payable
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2019	2,036,451,473	66,303,458	550,427,693	7,765,893,500	382,364,140	20,416,810
Financing cash flows	311,908,873	(31,230,180)	-	(5,900,056,030)	(177,521,330)	(309,411,414)
Net change in lease liabilities	-	10,722,004	-	-	-	-
Exchange differences	-	556	(11,023,058)	-	-	-
Fair value changes	-	-	-	-	-	-
Interest expenses	-	2,408,787	-	-	-	305,338,687
Interest paid classified as operating cash flow	-	(2,408,787)	-	-	-	-
At 31 December 2019	2,348,360,346	45,795,838	539,404,635	1,865,837,470	204,842,810	16,344,083

(b) Total cash outflow of leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020	2019
	HK$	HK$
Within operating activities	1,387,412	2,408,787
Within investing activities	-	-
Within financing activities	33,312,448	31,230,180
	34,699,860	33,638,967

47. PROVISION

During the year ended 31 December 2019, the Group recognised a provision of USD58 million in connection with a potential litigation that may arise relating to the matters of GTEC Pandion Multi-Strategy Fund SP (the "Fund") (which is currently under receivership after the termination of contracts by the Fund's prime broker in 2019, details are described in the 2019 annual report).

There is no further development related to the matters during 2020 and up to the date of this financial statements which requires an adjustment on the estimation of the provision amount. As such, the Group maintained the provision of USD58 million as at 31 December 2020.

48. CONTINGENT LIABILITIES

Ever Glory Limited and Ever Alpha Fund, L.P., subsidiaries of the Group, are currently the respondents in an arbitration brought by a party alleging that the respondents breached the limited partnership agreement in relation to the claimant's request for distribution in-kind of the claimant's shares. Ever Glory Limited and Ever Alpha Fund, L.P. have retained legal counsel to represent their interests and are vigorously defending against the claim asserted in the arbitration. The directors believe that Ever Glory Limited and Ever Alpha Fund, L.P. have a valid defense against the allegation. It is not practical to estimate the potential effect of this claim. As at 31 December 2020, no provision has therefore been made in respect of this claim.

49. EVENT AFTER THE REPORTING PERIOD

Establishment of a wholly-owned subsidiary in British Virgin Islands

On 21 January 2021, the Company established GF Financial Holdings BVI Ltd., a wholly-owned subsidiary of the Group in British Virgin Islands. The Company was allotted 1 common share for USD1 at a consideration of USD1 per share.

50. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position

	2020 HK$	2019 HK$
NON-CURRENT ASSETS		
Property and equipment	17,533,767	22,681,644
Right-of-use assets	4,875,587	34,835,729
Investments in subsidiaries	4,593,124,500	4,624,024,500
Deposits	10,461,974	10,461,974
	4,625,995,828	4,692,003,847
CURRENT ASSETS		
Subordinated loan to a subsidiary	600,000,000	600,000,000
Loans to subsidiaries	3,497,241,458	2,220,157,982
Amounts due from subsidiaries	76,132,313	776,173,243
Other receivables, deposits and prepayments	2,973,854	2,834,121
Tax recoverable	6,385,002	-
Bank balances	39,161,217	227,629,192
	4,221,893,844	3,826,794,538
CURRENT LIABILITIES		
Amount due to the ultimate holding company	5,687,061	5,687,061
Amounts due to subsidiaries	5,173,518	-
Loans from subsidiaries	161,000,000	1,281,370,098
Bank borrowings	3,287,608,126	584,152,500
Accrued charges and other payables	96,644,843	94,974,905
Lease liabilities	3,414,562	30,775,668
	3,559,528,110	1,996,960,232
Net current assets	662,365,734	1,829,834,306
NON-CURRENT LIABILITIES		
Bank borrowings	-	1,181,833,142
Lease liabilities	-	3,627,641
	-	1,185,460,783
NET ASSETS	5,288,361,562	5,336,377,370
CAPITAL AND RESERVES		
Share capital	5,600,000,000	5,600,000,000
Accumulated losses	(311,638,438)	(263,622,630)
TOTAL EQUITY	5,288,361,562	5,336,377,370

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 APR 2021 and is signed on its behalf by:

....
Qin Li
Director

沈明高
....
Shen Minggao
Director

50. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY (CONTINUED)

(b) Movement of reserves of the Company

	Share capital HK$	Accumulated losses HK$	Total HK$
At 1 January 2019	5,600,000,000	(264,818,310)	5,335,181,690
Profit and total comprehensive income for the year	-	1,195,680	1,195,680
At 31 December 2019 and 1 January 2020	5,600,000,000	(263,622,630)	5,336,377,370
Loss and total comprehensive income for the year	-	(48,015,808)	(48,015,808)
At 31 December 2020	5,600,000,000	(311,638,438)	5,288,361,562

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2021.

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
廣發控股(香港)有限公司

Report of the Directors and Audited Financial Statements

31 December 2019

CONTENTS

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of GF Holdings (Hong Kong) Corporation Limited 廣發控股(香港)有限公司 (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 34 to the consolidated financial statements. There were no significant changes in the nature of the Company's principal activities during the year.

Dividends

The directors do not recommend the payment of any dividend in respect of the year.

Share capital

Details of the share capital of the Company during the year are set out in Note 33 to the consolidated financial statements. There were no movements in the Company's share capital during the year.

Directors

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

Lin Zhihai	(resigned on 31 May 2019)
Qin Li	
Ou Yang Xi	
Sun Xiaoyan	(resigned on 31 May 2019)
Luo Binhua	
Wu Jifu	(resigned on 31 May 2019)
Zhao Guiping	(resigned on 31 May 2019)
Zhang Wei	
Lin Xianghong	
Tang Xiaodong	(resigned on 15 April 2019)
Shen Minggao	(appointed on 31 May 2019)
Xin Zhiyun	(appointed on 31 May 2019)

In accordance with the provisions of the Company's articles of association, all directors retire and, being eligible, offer themselves for re-election. The names of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report are set out below:

Ao Xiaomin	
Chen Chongyang	
Chen Lu	
Chen Yinghui	
Cong Lu Feng	(appointed on 30 August 2019)
Gu Weiyan	(appointed on 6 March 2020)
Lu Zhengxiong, David	
He Kuanhua	(resigned on 30 August 2019)
Hu Jun	(resigned on 30 August 2019)
Jin Bo	
Kam Ka Wah	(appointed on 15 January 2020)
Lau Chung Hing, Sammy	(appointed on 30 August 2019, resigned on 13 January 2020)
Lee Wee Siang	(resigned on 28 March 2019)
Lee Wilson Tsz Kin	(resigned on 30 August 2019)
Lee Wing Chun, Vincent	
Li Bing	(resigned on 5 December 2019)
Li Li	
Lu Yan	(appointed on 30 August 2019, resigned on 5 March 2020)
Peng Shuqin	
Ren Qun	
Ruan Wenjun	(appointed on 28 March 2019, resigned on 30 October 2019)
Sha Jianyuan	
Siao Andrew Shi	
Tsang Koon Hung	
Wang Xindong	
Wang Yue	

Directors (continued)

Wen Huiging	
Xiao Xuesheng	
Xu Yiyu	(appointed on 5 December 2019)
Ye Peng	(resigned on 15 January 2020)
Ye Yong	
Zhao Xiang	

Directors' interests

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Directors' interests in contracts of significance

No contract of significance, to which the Company, its holding company, any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted indemnity provision

At no time during the year and up to the date of this directors' report, there was, or is, any permitted indemnity provision being in force for the benefit of any of the directors or any associate entities.

Event after the reporting period

Details of the Company's significant event after the reporting period are set out in Note 45 to the financial statements.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

沈明高

Shen Minggao
Director

Hong Kong
29 April 2020

EY 安永

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Independent auditor's report
To the members of GF Holdings (Hong Kong) Corporation Limited
廣發控股(香港)有限公司
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of GF Holdings (Hong Kong) Corporation Limited 廣發控股(香港)有限公司 (the "Company") and its subsidiaries ("the Group") set out on pages 5 to 81, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group give a true and fair view of the financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
We draw attention to Note 44 of the financial statements which describes the latest development in relation to matters arising from GTEC Pandion Multi-Strategy Fund SP and the associated provision made by the Group. The ultimate outcome rests with the further development of the matters and is uncertain. Our opinion is not modified in respect of this matter.

Information other than the financial statements and auditor's report thereon
The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors.

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

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

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

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

EY 安永

Independent auditor's report (continued)
To the members of GF Holdings (Hong Kong) Corporation Limited
廣發控股(香港)有限公司
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of 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.

Ernst & Young

Certified Public Accountants
Hong Kong
29 April 2020

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
廣發控股(香港)有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
REVENUE	4	802,911,646	1,331,401,512
Other operating income	5	215,063,634	184,102,224
Other gains and losses	6	173,220,662	(1,348,299,980)
Staff costs	8	(297,076,166)	(283,430,202)
Other operating expenses		(698,582,244)	(307,297,845)
Finance costs	7	(319,694,945)	(559,720,870)
Impairment losses on financial assets	8	(216,238,708)	(28,350,084)
Share of results of joint ventures		20,380,737	72,542,127
LOSS BEFORE TAXATION	8	(320,015,384)	(939,053,118)
Income tax expense	10	(847,523)	(47,395,286)
LOSS FOR THE YEAR		(320,862,907)	(986,448,404)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		17,914	(9,340,184)
Realisation of reserve upon disposal/loss of control of subsidiaries		(8,787,252)	(26,505)
Debt investments at fair value through other comprehensive income:			
Changes in fair value		88,366,396	(332,483,238)
Income tax impact		(2,333,000)	-
Reclassification adjustments for gains/losses included in the consolidated statement of profit or loss			
- Loss on disposals		89,802,068	89,655,416
- Impairment losses		12,484,424	33,692,235
Total comprehensive income for the year		(141,312,357)	(1,204,950,680)
Loss for the year attributable to:			
Owners of the Company		(320,856,811)	(986,825,567)
Non-controlling interests		(6,096)	377,163
		(320,862,907)	(986,448,404)
Total comprehensive income attributable to:			
Owners of the Company		(141,310,546)	(1,205,343,887)
Non-controlling interests		(1,811)	393,207
		(141,312,357)	(1,204,950,680)

Notes to the consolidated financial statements form an integral part of these financial statements.

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
廣發控股(香港)有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Property and equipment	11	37,418,319	33,647,461
Right-of-use assets	12	45,142,671	-
Intangible assets	13	430,000	430,000
Investments in associates	14	232,168,724	218,959,737
Investments in joint ventures	15	443,065,109	432,606,069
Financial assets at fair value through profit or loss	17	1,660,540,786	1,215,070,735
Trade receivables	21	-	1,292,220,936
Deferred tax assets	10	51,656,000	26,160,891
Deposits	19	10,461,974	10,461,174
Other assets	20	24,183,302	23,729,854
		2,505,066,885	3,253,286,857
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	16	2,521,257,731	4,541,263,681
Financial assets at fair value through profit or loss	17	2,788,812,531	4,803,884,494
Loans receivable	18	-	364,707,373
Other receivables, deposits and prepayments	19	122,937,082	168,593,935
Trade receivables	21	4,926,019,466	7,273,225,986
Derivative financial assets	22	11,060,346	19,977,097,066
Amount due from a fellow subsidiary	24	48,571,599	79,837,228
Tax recoverable		3,357,598	3,613,025
Bank balances	25	4,326,310,986	4,563,294,109
		14,748,327,339	41,775,516,897
CURRENT LIABILITIES			
Amount due to the ultimate holding company	24	26,775,479	8,132,317
Loan from the ultimate holding company	23	539,404,635	550,427,693
Amount due to a fellow subsidiary	24	59,709,159	60,928,935
Derivative financial liabilities	22	1,054,505	22,467,565,383
Financial liabilities at fair value through profit or loss	26	81,117,173	123,231,738
Trade payables	27	4,825,105,643	4,693,371,872
Contract liabilities	28	10,911,730	8,382,915
Financial assets sold under repurchase agreements	29	2,348,360,346	2,036,451,473
Notes payable	30	204,842,810	382,364,140
Bank borrowings	31	684,004,328	7,765,893,500
Accrued charges and other payables		236,197,420	293,484,029
Provision	44	453,877,726	-
Third-party interests in consolidated investment funds	32	437,656,048	165,764,042
Lease liabilities	12	33,594,405	-
Tax liabilities		11,255,817	10,424,140
		9,953,867,224	38,566,422,177
Net current assets		4,794,460,115	3,209,094,720

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss	26	667,198,496	524,457,570
Bank borrowings	31	1,181,833,142	-
Third-party interests in consolidated investment funds	32	175,299,630	560,542,356
Lease liabilities	12	12,201,433	-
Deferred tax liabilities	10	80,859,005	53,934,000
		2,117,391,706	1,138,933,926
NET ASSETS		5,182,135,294	5,323,447,651
CAPITAL AND RESERVES			
Share capital	33	5,600,000,000	5,600,000,000
Investment revaluation reserve		11,805,976	(176,513,912)
Foreign currency translation reserve		(4,336,222)	4,437,401
General reserve		15,084,062	656,981
Accumulated losses		(436,919,260)	(101,635,368)
Equity attributable to owners of the Company		5,185,634,556	5,326,945,102
Non-controlling interests		(3,499,262)	(3,497,451)
TOTAL EQUITY		5,182,135,294	5,323,447,651

Qin Li
Director

Shen Minggao
Director

Notes to the consolidated financial statements form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to the owners of the company						
	Share capital HK$	Investment revaluation reserve HK$	Foreign currency translation reserve HK$	General reserve HK$ (Note 1)	Accumulated losses HK$	Non-controlling interests HK$	Total HK$
At 1 January 2018	5,600,000,000	32,621,675	13,820,134	179,644	885,667,536	(3,709,434)	6,528,579,555
Loss for the year	-	-	-	-	(986,825,567)	377,163	(986,448,404)
Exchange differences on translating foreign operations	-	-	(9,356,228)	-	-	16,044	(9,340,184)
Realisation of reserve upon disposal of a subsidiary (Note 42)	-	-	(26,505)	-	-	-	(26,505)
Change in fair value of debt securities at fair value through other comprehensive income	-	(332,483,238)	-	-	-	-	(332,483,238)
Reclassification adjustments to profit or loss on disposal of financial assets at fair value through other comprehensive income	-	89,655,416	-	-	-	-	89,655,416
Reclassification adjustments for credit loss included in the consolidated statement of profit or loss	-	33,692,235	-	-	-	-	33,692,235
Appropriation to general reserve (Note 1)	-	-	-	477,337	(477,337)	-	-
Total comprehensive income for the year	-	(209,135,587)	(9,382,733)	477,337	(987,302,904)	393,207	(1,204,950,680)
Distribution to non-controlling interests (Note 2)	-	-	-	-	-	(181,224)	(181,224)
At 31 December 2018	5,600,000,000	(176,513,912)	4,437,401	656,981	(101,635,368)	(3,497,451)	5,323,447,651
Loss for the year	-	-	-	-	(320,856,811)	(6,096)	(320,862,907)
Exchange differences on translating foreign operations	-	-	13,629	-	-	4,285	17,914
Realisation of reserve upon disposal/loss of control of subsidiaries	-	-	(8,787,252)	-	-	-	(8,787,252)
Change in fair value of debt securities at fair value through other comprehensive income	-	88,366,396	-	-	-	-	88,366,396
Reclassification adjustments to profit or loss on disposal of financial assets at fair value through other comprehensive income	-	89,802,068	-	-	-	-	89,802,068
Reclassification adjustments for credit loss included in the consolidated statement of profit or loss	-	12,484,424	-	-	-	-	12,484,424
Income tax impact on financial assets at fair value through other comprehensive income	-	(2,333,000)	-	-	-	-	(2,333,000)
Appropriation to general reserve (Note 1)	-	-	-	14,427,081	(14,427,081)	-	-
Total comprehensive income for the year	-	188,319,888	(8,773,623)	14,427,081	(335,283,892)	(1,811)	(141,312,357)
At 31 December 2019	5,600,000,000	11,805,976	(4,336,222)	15,084,062	(436,919,260)	(3,499,262)	5,182,135,294

Note 1: Pursuant to the Company Law of the People's Republic of China ("PRC") and the articles of association of the group company established in the PRC (the "PRC Company"), 10% of the net profit of the PRC Company, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the PRC Company. The reserve appropriated can be used for expansion of business and capitalisation. If the statutory reserve is capitalised into share capital, the remaining reserve is required to be no less than 25% of the PRC Company's registered capital before capitalisation.

Note 2: During 2018, HK$181,224 were made for distributions to non-controlling interests.

Notes to the consolidated financial statements form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
OPERATING ACTIVITIES			
Loss before taxation		(320,015,384)	(939,053,118)
Adjustments for:			
Depreciation of property and equipment	8	11,508,265	9,600,065
Depreciation of right-of-use-assets	8	32,349,648	-
Dividend income	5	(89,110,347)	(26,829,400)
Interest income		(307,171,429)	(518,892,477)
Interest expenses	7	319,694,945	559,720,870
Interest income from debt securities classified as fair value through other comprehensive income	4	(169,399,840)	(286,047,621)
Interest income from debt securities classified as fair value through profit or loss	4	(93,957,500)	(235,475,420)
Interest income from derivative financial assets	4	(72,427,422)	(73,133,035)
Net unrealised fair value changes of financial assets at fair value through profit or loss	6	(176,029,209)	160,832,670
Net unrealised fair value changes of financial liabilities at fair value through profit or loss	6	141,568,281	94,356,050
Net unrealised fair value changes of derivative financial instruments	6	15,228,778	479,181,616
Net unrealised fair value changes of investments in associates at fair value through profit or loss	6	(14,496,143)	(151,380,557)
Changes in third-party interests in consolidated investment funds	6	51,717,739	(106,738,807)
Impairment losses recognised on trade receivables	8	204,050,574	7,295,566
Reversal of impairment losses recognised on loans receivable	8	-	(14,109,688)
Impairment losses on financial assets	8	12,188,134	35,164,206
Loss on disposal of property and equipment	8	81,000	-
Gain on disposal of subsidiaries	6	(1,889,738)	(221,920)
Share of results of joint ventures		(20,380,737)	(72,542,127)
Write-off of trade receivables		(1,017,762)	-
Operating cash flows before movements in working capital		(477,508,147)	(1,078,273,127)
(Increase)/decrease in other assets		(453,345)	4,380,191
Decrease in financial assets at fair value through profit or loss		1,250,029,540	4,468,239,502
Decrease in financial liabilities at fair value through profit or loss		(23,866,920)	(215,846,202)
Decrease/(increase) in trade receivables		1,339,864,939	(1,353,122,294)
Payments on granting of loans receivable		-	(364,707,373)
Proceeds from repayments of loans receivable		364,707,373	1,301,816,040
Decrease/(increase) in other receivables, deposits and prepayments		11,443,239	(20,561,850)
Decrease/(increase) in bank balances - trust accounts		120,560,653	(367,589,873)
Decrease/(increase) in amount due from a fellow subsidiary		31,265,629	(55,866,750)
Decrease in loan to a fellow subsidiary		-	78,172,000
Increase/(decrease) in amount due to the ultimate holding company		18,643,162	(39,492)
(Decrease)/increase in amount due to a fellow subsidiary		(1,219,776)	68,961,975

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
Decrease/(increase) in derivative financial assets		3,830,502,709	(13,147,269,880)
(Decrease)/increase in derivative financial liabilities		(4,468,583,479)	14,900,830,118
Increase/(decrease) in trade payables		488,883,501	(3,582,384,445)
Increase in contract liabilities		2,528,815	8,382,915
(Decrease)/increase in third-party interests in consolidated investment funds		(77,448,466)	453,084,268
Decrease in accrued charges and other payables		(46,526,972)	(56,689,061)
Increase in provision		453,877,726	-
Cash from operations		2,816,700,181	1,041,516,662
Interest received		292,801,794	385,990,109
Interest received from loans receivable, financial assets at fair value through profit or loss and derivative financial assets		193,629,545	404,084,248
Interest paid		(11,947,471)	(38,968,399)
Dividend received from financial assets at fair value through profit or loss		89,110,347	26,829,400
Income tax paid		-	(74,760,265)
Interest element on lease liabilities		(2,408,787)	-
Net cash from operating activities		3,377,885,609	1,744,691,755
INVESTING ACTIVITIES			
Purchases of property and equipment	11	(17,560,646)	(20,325,653)
Purchases of debt securities classified as fair value through other comprehensive income		(15,663,600)	(4,325,839,417)
Proceeds from disposal of debt securities classified as fair value through other comprehensive income		2,213,838,014	3,105,836,343
Interest received from debt securities classified as fair value through other comprehensive income		199,318,704	267,554,423
Net cash inflow on disposal/loss of control of subsidiaries		232,155,627	6,689,604
Payments on acquisition of joint ventures		-	(156,556,009)
Net cash from/(used in) investing activities		2,612,088,099	(1,122,640,709)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
FINANCING ACTIVITIES			
Distributions to non-controlling interests	43	-	(181,224)
Interest paid	43	(309,411,414)	(455,588,615)
Proceeds from bank borrowings raised	43	178,868,478,329	406,021,107,385
Repayments of bank borrowings	43	(184,768,534,359)	(408,427,305,220)
Proceeds from financial assets sold under repurchase agreements	43	311,908,873	2,036,451,473
Proceeds from issue of notes payable	43	-	237,745,940
Repayment of notes payable	43	(177,521,330)	-
Payment of lease liabilities	43	(31,230,180)	-
Net cash used in financing activities		(6,106,310,081)	(587,770,261)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(116,336,373)	34,280,785
Cash and cash equivalents at beginning of the year		657,778,322	634,670,079
Effect of exchange rate changes on the balances held in foreign currencies		(667,758)	(11,172,542)
Cash and cash equivalents at end of the year		540,774,191	657,778,322
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY			
Bank balances - house accounts	25	540,774,191	657,778,322

Notes to the consolidated financial statements form an integral part of these financial statements.

1. The Company is a limited company incorporated in Hong Kong. The principal activity of the Company is investment holding and its subsidiaries include licensed corporations under the Hong Kong Securities and Futures Ordinance.

The principal activities of the subsidiaries, as set out in Note 34 to the consolidated financial statements, are engaged in the businesses of providing securities brokerage and margin financing services, corporate finance and advisory services, advising on securities and assets management, insurance brokerage and investment trading.

Its ultimate and immediate holding company is GF Securities Co., Ltd., a company incorporated in the People's Republic of China ("PRC"), with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange.

The address of the registered office and principal place of business of the Company is 29/F & 30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

<u>New definition of a lease</u>
Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

<u>As a lessee – Leases previously classified as operating leases</u>
Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

As a lessee – Leases previously classified as operating leases (continued)
Impact on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

As a lessee – Leases previously classified as finance leases
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019
The adoption of HKFRS 16 on 1 January 2019 by the Group has given rise to additional lease liabilities of HK$66,303,458 at 1 January 2019 with corresponding right-of-use assets of HK$70,114,915 recognised. The adoption has had no impact on the Group's equity at 1 January 2019.

The weighted average incremental borrowing rate applied to the lease liabilities recognised at 1 January 2019 is 3.6%.

There is no significant difference between the amount of the operating lease commitments at 31 December 2018 disclosed applying the previous accounting standards (see Note 37), discounted using the incremental borrowing rate at 1 January 2019 and the amount of lease liabilities recognised in the statement of financial position at 1 January 2019.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

- Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

- Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

- Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment funds
Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. In conducting the assessment, the Group considers substantive contractual rights as well as de facto control. De facto control of an entity may arise from circumstances where the Group does not have more than 50% of the voting power but it has the practical ability to direct the relevant activities of the entity. If the Group has power to remove or control over the party having the ability to direct the relevant activities of the funds based on the facts and circumstances and that the Group has exposure to variable returns of the investment funds, they are consolidated. Variable returns include both rights to the profits or distributions as well as the obligation to absorb losses of the investees.

The interests of parties other than the Group in consolidated investment funds are classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such investment funds for cash. These are presented as "Third-party interests in consolidated investment funds" in the consolidated statement of financial position.

Investments in associates and joint ventures
An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the fair value method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)
If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement
The Group measures its financial assets and financial liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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; *(If the Group is itself such a plan)* and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and equipment	20%
Computer equipment	20% - 33%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on tangible and intangible assets (continued)
If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases (applicable from 1 January 2019)
The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease (applicable before 1 January 2019) (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)
Initial recognition and measurement (continued)
The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)
For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)
Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in Stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following Stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amount due to the ultimate holding company, loan from the ultimate holding company, amount due to a fellow subsidiary, financial liabilities at fair value through profit or loss, third-party interests in consolidated investment funds, contract liabilities, financial assets sold under repurchase agreements, notes payable, lease liabilities, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition
Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the considerations received or receivable, and represents amounts receivable for services provided in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(a) *Commission and brokerage income from dealing in securities*
Income from securities brokerage services is recognised at a point in time basis upon execution of the sale or purchase of securities.

(b) *Underwriting fee and commission*
Income from the underwriting services for securities is recognised as income in accordance with terms of the underlying agreement or deal mandate at a point in time when relevant significant act has been completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

(c) Advisory fee income, handling fee income and arrangement fee income

Advisory fee income, handling fee income and arrangement fee income are recognised over time when the service have been rendered.

(d) Insurance brokerage income

Income from insurance brokerage is recognised at a point in time in the period which the services are rendered. Insurance brokerage income on additional premiums and adjustments are recognised when these occur.

Revenue from other sources and other income

(a) Management fee income

Management fee income is recognised at over time when the service has been rendered.

(b) Interest income from a financial asset

Interest income from a financial asset is recognised over time on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(c) Dividend income from investments

Dividend income from investments is recognised when the rights to receive payment have been established.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary activities

The Group acts in a fiduciary capacity which results in the holding of assets on behalf of a 100% owned subsidiary of the immediate holding company. These assets and any gains or losses arising thereon are not included in these financial statements as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For investments funds where the Group involves as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. The investment funds are consolidated if the Group acts in the role of principal.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments and discounted cash flow analysis. To the extent practical, market observable inputs and data, such as interest rate yield curves and foreign currency rates, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financials instruments. Details of the fair value valuation are set out in Note 40 of the consolidated financial statements.

Impairment allowance on financial instruments

The implementation resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial instruments. In determining ECL, judgement has been applied in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and assessment of future economic conditions. Judgement has been applied in determining the lifetime and point of initial recognition of revolving facilities. The probability of default ("PD") and loss given default ("LGD") models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)
Impairment allowance on financial instruments (continued)

Definition of default and credit-impaired assets
Default is considered occurred when one of the following conditions is met:
- Loans or receivables which are considered uncollectible after exhausting all collection efforts and have no asset value;
- A debtor with difficulty in repayment applies for debt restructuring to cut the outstanding debt; or
- Loans or receivables require to be written off as specified by the local regulatory authorities.

Staging criteria
Movement between Stages 1, 2 and 3 is based on a set of predefined criteria whereas the Group has adopted a guideline to identify significant increase in credit risk since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition that is consistent with the internal credit risk management strategy. The criteria included, but not limited to, the following elements:
- External/internal credit rating;
- Days past due record; and
- Other credit risk events, such as margin call, force liquidation, bankruptcy.

Multiple scenarios and forward-looking information
ECL is calculated as a probability-weighted product of the probability of default, loss given default and present value of exposure at default discounted at effective interest rate across scenarios. Three scenarios are adopted in the probability-weighted ECL which included the Baseline, Upside, and Downside scenarios which presented different severity under the respective macroeconomic scenarios.

The Group considers both historical loss experience and current observable data, and uses reasonable and supportable information of future economic forecasts to estimate the amount of ECL. The Group adopted macroeconomic forecast data for countries/regions that have material impact to the Group's business.

Margin loan collateral under a court case
As at 31 December 2019, there was a margin loan of which the listed securities pledged as collateral were judicially frozen. There is uncertainty as to whether the court will lift the judicial freeze and if they do so when this would occur. In assessing the ECL impairment on this margin loan classified under Stage 3, management has considered reasonable and supportable information that is available, including a legal opinion obtained from an external legal counsel. The key assumptions concerning the future recoverability of the collateral is subject to estimation uncertainty at the end of the reporting period; and the extent of the amount of future losses depends on the on-going development of the matter. Please refer to Note 21 for details.

Income taxes
There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was HK$47,840,000 (2018: HK$21,784,000). The amount of unused tax losses at 31 December 2019 was HK$1,678,357,326 (2018: HK$1,332,002,777). Details of the tax losses are disclosed in Note 10.

4. REVENUE

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Commission and brokerage income from dealing in securities	114,782,397	147,956,676
Underwriting fee and commission for securities	60,974,403	32,817,824
Advisory fee income	21,577,395	59,873,704
Insurance brokerage income	9,539,290	13,146,153
	206,873,485	253,794,357
Revenue from other sources		
Interest income from margin financing and initial public offerings loans	229,144,237	334,368,030
Management fee income	13,252,808	20,512,883
Interest income from loans receivable	17,856,354	128,070,166
Interest income from debt securities classified as fair value through profit or loss	93,957,500	235,475,420
Interest income from debt securities classified as fair value through other comprehensive income	169,399,840	286,047,621
Interest income from derivative financial assets	72,427,422	73,133,035
	596,038,161	1,077,607,155
Total revenue	802,911,646	1,331,401,512

5. OTHER OPERATING INCOME

	2019 HK$	2018 HK$
Dividend income	89,110,347	26,829,400
Handling fee income	19,945,102	21,877,236
Arrangement fee	1,351,378	5,833,000
Other income	44,485,969	73,108,307
Interest income from bank deposits	60,170,838	56,454,281
	215,063,634	184,102,224

6. OTHER GAINS AND LOSSES

	2019 HK$	2018 HK$
Net unrealised fair value changes of financial assets at fair value through profit or loss	176,029,209	(160,832,670)
Net unrealised fair value changes of financial liabilities at fair value through profit or loss	(141,568,281)	(94,356,050)
Net unrealised fair value changes of derivative financial instruments	(15,228,778)	(479,181,616)
Net unrealised fair value changes of investments in associates measured at fair value	14,496,143	151,380,557
Net realised losses on disposals of debt instruments classified as fair value through other comprehensive income	(89,802,068)	(89,655,416)
Net realised losses on financial assets at fair value through profit or loss	(16,599,843)	(431,970,263)
Net realised (losses)/gains on financial liabilities at fair value through profit or loss	(3,454,460)	14,012,281
Net realised gains/(losses) on derivative financial instruments and others (Note)	290,373,176	(354,533,438)
Exchange differences	8,803,565	(10,124,092)
Changes in third-party interests in consolidated investment funds	(51,717,739)	106,738,807
Gain on disposal of subsidiaries (Note 42)	1,889,738	221,920
	173,220,662	(1,348,299,980)

Note: Included the gains or losses related to an investment fund, GTEC Pandion Multi-Strategy Fund SP, amounting to USD44 million (approximately HK$343 million). Details are set out in Note 44 to the financial statements.

7. FINANCE COSTS

	2019 HK$	2018 HK$
Interest expenses on		
- bank borrowings	207,606,129	390,554,315
- borrowings from other financial institutions	24,312,657	90,290,340
- financial assets sold under repurchase agreements	54,752,572	48,996,791
- others	33,023,587	29,879,424
	319,694,945	559,720,870

8. LOSS BEFORE TAXATION

	2019 HK$	2018 HK$
Loss before taxation has been arrived at after charging/(crediting):		
Auditor's remuneration	2,552,514	592,795
Directors' remuneration (Note 9)		
- fees	-	-
- other emoluments	20,940,653	10,089,613
- contributions to mandatory provident fund	1,099,532	549,981
Staff costs		
- salaries and bonus	270,642,649	251,584,808
- contributions to mandatory provident fund	4,393,332	21,205,800
	297,076,166	283,430,202
Depreciation of property and equipment (Note 11)	11,508,265	9,600,065
Depreciation of right-of-use assets (Note 12)	32,349,648	-
Operating lease charges on rented premises	324,609	32,324,700
Brokerage commission expenses	51,615,329	71,892,163
Legal and professional fees	28,506,966	17,280,440
Impairment losses recognised on trade receivables	204,050,574	7,295,566
Reversal of impairment losses recognised on loans receivable	-	(14,109,688)
Impairment losses recognised on debt securities classified as fair value through other comprehensive income	12,484,424	33,692,235
Impairment losses recognised on other receivables	285,474	324,122
(Reversal of impairment losses)/impairment losses recognised on bank balances	(581,661)	982,328
(Reversal of impairment losses)/impairment losses recognised on other assets	(103)	165,521
Loss on disposal of property and equipment	81,000	-
Provision expense (Note 44)	456,540,842	-

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK$	2018 HK$
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	15,288,623	7,511,613
Performance related bonuses	5,652,030	2,578,000
Pension scheme contributions	1,099,532	549,981
	22,040,185	10,639,594

During the year, there were no loans to directors which are required to be disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (2018: Nil).

10. INCOME TAX EXPENSE

	2019 HK$	2018 HK$
Current tax		
- Hong Kong Profits Tax	260,000	33,716,000
- PRC Enterprise Income Tax	-	-
Under/(over) provision in prior years	811,343	(1,632,325)
Deferred tax	(223,820)	15,311,611
	847,523	47,395,286

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$	2018 HK$
Loss before taxation	(320,015,384)	(939,053,118)
Tax at Hong Kong Profits Tax rate of 16.5%	(52,802,538)	(154,943,764)
Tax effect of share of results of joint ventures	(3,349,947)	8,597,731
Tax effect of expenses not deductible for tax purpose	63,111,156	134,127,111
Tax effect of income not taxable for tax purpose	(45,552,126)	(66,219,852)
Tax effect of under/(over) provision in prior years	811,343	(1,632,325)
Tax effect of tax losses not recognised	60,886,836	128,862,654
Utilisation of tax losses previously not recognised	(18,674,432)	(1,296,404)
Tax effect of temporary difference not recognised	3,993,151	-
Tax adjustment due to adoption of HKFRS 9	(7,575,920)	-
Others	-	(99,865)
Tax charge for the year at the effective rate of 0.26% (2018:5.05%)	847,523	47,395,286

The following are the major deferred tax assets and liabilities recognised and movements thereon during the year:

Deferred tax liabilities

		2019	
	HK$ Depreciation allowance In excess of related depreciation	HK$ Unrealised gain on financial assets	HK$ Total
At the beginning of the year	-	53,934,000	53,934,000
Deferred tax charged to profit or loss	1,611,000	27,604,289	29,215,289
Exchange adjustments	-	(679,284)	(679,284)
Gross deferred tax liabilities at the end of the year	1,611,000	80,859,005	82,470,005

	2018 HK$ Unrealised gain on financial asset
At the beginning of the year	11,607,365
Deferred tax charged to profit or loss	41,472,502
Exchange adjustments	854,133
Gross deferred tax liabilities at the end of the year	53,934,000

10. INCOME TAX EXPENSE (CONTINUED)

Deferred tax assets

	2019			
	HK$ Losses available for offsetting against future taxable profits	HK$ Impairment of Financial assets	HK$ Unrealised loss on financial assets	HK$ Total
At the beginning of the year	21,784,000	-	4,376,891	26,160,891
Deferred tax credited/(debited) to profit or loss	26,056,000	(9,391,000)	12,774,109	29,439,109
Deferred tax recognised in other comprehensive income	-	-	(2,333,000)	(2,333,000)
Gross deferred tax assets at the end of the year	47,840,000	(9,391,000)	14,818,000	53,267,000

	2018		
	HK$ Losses available for offsetting against future taxable profits	HK$ Unrealised loss on financial assets	HK$ Total
At the beginning of the year	-	-	-
Deferred tax credited to profit or loss	21,784,000	4,376,891	26,160,891
Gross deferred tax assets at the end of the year	21,784,000	4,376,891	26,160,891

The deferred tax assets were mainly related to the impairment allowance at Stage 1 and Stage 2 made for financial assets, unrealised losses on financial assets at fair value through profit of loss and unused tax loss which are available for offsetting against future taxable profits. As at 31 December 2019, the Group has unused tax losses of approximately HK$1,678,357,326 (2018: HK$1,332,002,777) available for offset against future profits.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 HK$	2018 HK$
Net deferred tax assets recognised in the consolidated statement of financial position	51,656,000	26,160,891
Net deferred tax liabilities recognsied in the consolidated statement of financial position	(80,859,005)	(53,934,000)
	(29,203,005)	(27,773,109)

11. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$	Furniture fixtures and equipment HK$	Computer equipment HK$	Motor vehicles HK$	Total HK$
COST					
At 1 January 2018	21,396,778	6,065,251	40,079,545	3,581,021	71,122,595
Additions for the year	3,400,601	878,417	15,990,635	56,000	20,325,653
Disposal	-	(40,292)	(884,462)	-	(924,754)
Exchange adjustments	(201,571)	(62,336)	(91,657)	(24,110)	(379,674)
At 31 December 2018	24,595,808	6,841,040	55,094,061	3,612,911	90,143,820
Additions for the year	864,310	395,146	16,301,190	-	17,560,646
Disposal	(540,962)	-	(2,698,522)	-	(3,239,484)
Exchange adjustments	154,369	42,476	25,475	10,986	233,306
At 31 December 2019	25,073,525	7,278,662	68,722,204	3,623,897	104,698,288
DEPRECIATION					
At 1 January 2018	18,653,077	4,346,413	22,783,575	2,206,271	47,989,336
Charges for the year	1,146,763	703,629	7,463,976	285,697	9,600,065
Eliminated on disposal	-	(40,292)	(884,462)	-	(924,754)
Exchange adjustments	(61,314)	(43,423)	(60,077)	(3,474)	(168,288)
At 31 December 2018	19,738,526	4,966,327	29,303,012	2,488,494	56,496,359
Charges for the year	1,112,546	686,064	9,424,493	285,162	11,508,265
Eliminated on disposal	(19,390)	-	(791,775)	-	(811,165)
Exchange adjustments	52,666	18,980	12,576	2,288	86,510
At 31 December 2019	20,884,348	5,671,371	37,948,306	2,775,944	67,279,969
CARRYING AMOUNTS					
At 31 December 2019	4,189,177	1,607,291	30,773,898	847,953	37,418,319
At 31 December 2018	4,857,282	1,874,713	25,791,049	1,124,417	33,647,461

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	2019 HK$
COST	
At 1 January 2019	-
Effect of adoption of HKFRS 16	70,114,915
additions for the year	7,378,394
Exchange adjustments	(7,441)
At 31 December 2019	77,485,868
DEPRECIATION	
At 1 January 2019	-
Charge for the year	32,349,648
Exchange adjustments	(6,451)
At 31 December 2019	32,343,197
CARRYING AMOUNT	
At 31 December 2019	45,142,671

Maturity of profile of lease liabilities as at 31 December 2019

	2019 HK$
Within one year	34,988,603
After one year but within five years	12,204,399
More than five years	1,221,808
Lease liabilities (undiscounted)	48,414,810
Discount amount	(2,618,972)
Lease liabilities (discounted)	45,795,838
Current	33,594,405
Non-current	12,201,433

The weighted average incremental borrowing rate applied to the lease liabilities recognized at 31 December 2019 was 3.6%. The fair value of the Company's non-current liabilities with a carrying amount of HK$12,201,433 was HK$13,426,207. The fair value was determined by discounting the expected future cash flows at prevailing interest rates.

13. INTANGIBLE ASSETS

	2019 HK$	2018 HK$
Trading rights on the Stock Exchange of Hong Kong Limited, at cost	430,000	430,000

Intangible assets include trading rights with infinite life and the directors of the Company consider that no impairment loss shall be recognised during the year as the recoverable amount is sufficient to cover the carrying amount.

14. INVESTMENTS IN ASSOCIATES

	2019 HK$	2018 HK$
Unlisted investments in associates, at fair value through profit or loss	231,204,039	217,992,110
Unlisted investment in an associate, at cost	751,744	967,627
Share of post-acquisition profits and other comprehensive income	212,941	-
	232,168,724	218,959,737

Details of the Group's associates at the end of the reporting period are as follows:

<u>Unlisted investments in associates at fair value through profit or loss</u>

Name of entity	Place of incorporation	Equity interest held by the Group 2019	Equity interest held by the Group 2018	Principal activities
Archiact Interactive Ltd. ("Archiact Interactive")	Canada	6.28%	6.28%	Investment holding
Archiact (Cayman) Inc. ("Archiact (Cayman)")	Cayman Islands	6.28%	6.28%	Investment holding
Gegejia Corporation ("Gegejia")	Cayman Islands	4.545%	4.99%	Investment holding

<u>Unlisted investment in an associate at cost</u>

Horizon Partners Fund L.P.	Cayman Islands	1.00%	1.00%	Investment holding

In 2017, GF Optimus Ltd. (previously known as "GF Qianheng I Limited"), a venture capital organisation and an indirect wholly-owned subsidiary, acquired 6.72% equity interests in Archiact Interactive and Archiact (Cayman) at considerations of USD2,899,999 (equivalent to HK$22,669,875) and USD1,023 (equivalent to HK$7,998) respectively. Pursuant to the shareholders' agreements of Archiact Interactive and Archiact Cayman, the Group has appointed one out of the five directors of both Archiact Interactive and Archiact Cayman. Accordingly, the Group is able to exercise significant influence over Archiact Interactive and Archiact Cayman and accounts for both investments as associates. In 2018, upon the redemptions of other investors, the Group's interests in both Archiact Inveractive and Archiact (Cayman) have decreased from 6.72% to 6.28%.

In 2016, Guangfa Xinde Capital Management Limited, a venture capital organisation and an indirect wholly-owned subsidiary, acquired 6.97% equity interest in Gegejia at a consideration of USD5,000,000 (equivalent to HK$38,779,500). Pursuant to the shareholders' agreement of Gegejia, the Group has appointed one out of the seven directors of Gegejia. Accordingly, the Group is able to exercise significant influence over Gegejia and accounts for such investment as an associate. During the year, upon the redemptions of other investors, the Group's interest in Gegejia has decreased from 4.99% to 4.545%.

The Group elected to measure these investments in associates at fair value through profit or loss as the management measures their performance on a fair value basis.

In 2018, GFGI Limited, an indirect wholly-owned subsidiary, acquired 1% equity interests in Horizon Partners Fund L.P. at consideration of USD123,551 (equivalent to HK$967,627).

The summarised financial information in respect of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs").

14. INVESTMENTS IN ASSOCIATES (CONTINUED)

Archiact Interactive Ltd.

	2019 HK$	2018 HK$
Total assets	17,827,597	52,464,157
Total liabilities	(11,159,867)	(8,592,812)
Net assets	6,667,730	43,871,345
Total revenue	23,128,339	39,191,599
Loss and other comprehensive income for the year	(17,893,833)	(25,640,517)

Gegejia Corporation

	2019 HK$	2018 HK$
Total assets	1,348,837,940	1,418,896,056
Total liabilities	(832,010,875)	(1,591,768,045)
Net assets/(liabilities)	516,827,065	(172,871,989)
Total revenue	2,077,472,076	1,150,925,061
Loss and other comprehensive income for the year	(311,808,909)	(48,718,140)

15. INVESTMENTS IN JOINT VENTURES

	2019 HK$	2018 HK$
Unlisted investments in joint ventures, at cost	333,227,201	342,810,807
Share of post-acquisition profits and other comprehensive income	109,837,908	89,795,262
	443,065,109	432,606,069

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Place of incorporation	Equity interest held by the Group 2019	2018	Principal activities
GHS Partners Limited	Cayman Islands	49.00%	49.00%	Investment holding
GHS Investment Management (Canada) Company Limited	Canada	49.00%	49.00%	Investment holding
GHS Investment Management (Cayman) Company Limited	Cayman Islands	49.00%	49.00%	Investment holding
GHS Partnership L.P.	Cayman Islands	49.00%	49.00%	Investment holding
GHS Partnership II L.P	Cayman Islands	49.00%	49.00%	Investment holding
Global Health Science Fund I, L.P.	Cayman Islands	30.41%	29.00%	Investment holding
Global Health Science Fund II, L.P.	Cayman Islands	28.78%	28.78%	Investment holding

In 2016, the Group subscribed 49% equity interest in GHS Partners Limited, GHS Investment Management (Canada) Company Limited and GHS Investment Management (Cayman) Company Limited at a total consideration of USD98 (equivalent to HK$764). Pursuant to the subscription agreements, the Group has appointed one out of the three directors of GHS Partners Limited and GHS Investment Management (Cayman) Company Limited respectively, and one out of the two directors of GHS Investment Management (Canada) Company Limited. Decisions about the relevant activities require the unanimous consent of all directors sharing control. Accordingly, the Group is able to exercise joint control over GHS Partners Limited, GHS Investment Management (Canada) Company Limited and GHS Investment Management (Cayman) Company Limited and accounts for these companies as investments in joint ventures. During the year, there is no change in the Group’s interest in the three mentioned joint ventures.

In 2016, the Group subscribed 49% and 25% equity interest in GHS Partnership L.P. and Global Health Science Fund I, L.P. at a consideration of USD490,000 (equivalent to HK$3,800,391) and USD25,000,000 (equivalent to HK$193,926,899) respectively. Pursuant to the subscription agreements, GHS Partnership L.P. is the General Partner of Global Health Science Fund I, L.P. and GHS Partners Limited (the “ultimate General Partner”) is the General Partner of GHS Partnership L.P.. Decisions about the relevant activities of Global Health Science Fund I, L.P. and GHS Partnership L.P. require the consent of the General Partner and also the unanimous consent of the three directors of the ultimate General Partner sharing control. Accordingly, the Group is able to exercise joint control over GHS Partnership L.P. and Global Health Science Fund I, L.P. and accounts for these funds as investments in joint ventures. During 2019, the Group’s interest in Global Health Science Fund I, L.P. has increased from 29% to 30.41%.

In 2018, the Group subscribed 49% and 28.78% equity interest in GHS Partnership II L.P. and Global Health Science Fund II, L.P. at a consideration of USD490,000 (equivalent to HK$3,837,582) and USD20,000,000 (equivalent to HK$156,556,009) respectively. Pursuant to the subscription agreements, GHS Partnership II L.P. is the General Partner of Global Health Science Fund II, L.P. and GHS Partners Limited is the General Partner of GHS Partnership II L.P.. Decisions about the relevant activities of Global Health Science Fund II, L.P. and GHS Partnership II L.P. require the consent of the General Partner and also the unanimous consent of the three directors of the ultimate General Partner sharing control. Accordingly, the Group is able to exercise joint control over GHS Partnership II L.P. and Global Health Science Fund II, L.P. and accounts for these funds as investments in joint ventures. During the year, there is no change in the Group’s interest in the joint ventures.

The summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Global Health Science Fund I, L.P.

	2019 HK$	2018 HK$
Total assets	893,907,631	929,118,231
Total liabilities	(30,344,310)	(34,383,321)
Net assets	863,563,321	894,734,910
Total revenue	4,250,293	216,606,577
(Loss)/profit and other comprehensive income for the year	(21,738,687)	177,620,975

Reconciliation of the above summarised financial information to the carrying amount of the investment in Global Health Science Fund I, L.P. recognised in the consolidated financial statements:

	2019 HK$	2018 HK$
Net assets of Global Health Science Fund I, L.P.	863,563,321	894,734,910
Proportion of the Group's ownership interest in Global Health Science Fund I, L.P.	30.41%	29%
	262,609,606	259,473,124
Others	(51,816)	7,536,401
Carrying amount of the Group's interest in Global Health Science Fund I, L.P.	262,557,790	267,009,525

Global Health Science Fund II, L.P.

	2019 HK$	2018 HK$
Total assets	574,438,906	547,170,338
Total liabilities	(7,481,899)	(3,202,537)
Net assets	566,957,007	543,967,801
Total revenue	8,782,468	12,860,570
Profit and other comprehensive income for the year	30,252,993	2,933,556

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Global Health Science Fund II, L.P. (continued)
Reconciliation of the above summarised financial information to the carrying amount of the investment in Global Health Science Fund II, L.P. recognised in the consolidated financial statements:

	2019 HK$	2018 HK$
Net assets of Global Health Science Fund II, L.P.	566,957,007	543,967,801
Proportion of the Group's ownership interest in Global Health Science Fund II, L.P.	28.78%	28.78%
	163,170,227	156,553,933
Others	(42,253)	216,401
Carrying amount of the Group's interest in Global Health Science Fund II, L.P.	163,127,974	156,770,334

Aggregate information of joint ventures that are not individually material:

	2019 HK$	2018 HK$
The Group's share of profit for the period (Note)	2,597,470	2,860,828
Aggregate carrying amount of the Group's interests in these joint ventures	2,597,481	2,861,599

Note: From date of acquisition to 31 December 2019.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$	2018 HK$
Financial assets at fair value through other comprehensive income comprise:		
Unlisted investments:		
- Debt securities	2,521,257,731	4,541,263,681

The movement in financial assets at fair value through other comprehensive income is summarised as follow:

	2019 HK$	2018 HK$
At 1 January	4,541,263,681	3,564,088,429
Additions	15,663,600	4,325,838,609
Net change in fair value	88,366,396	(332,483,238)
Redemption/matured	(2,112,303,758)	(3,025,237,257)
Exchange effect	(11,732,188)	9,057,138
At 31 December	2,521,257,731	4,541,263,681

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$	2018 HK$
Current		
Financial assets held for trading and financial assets measured at FVTPL		
Equity securities	961,379,081	1,242,008,086
Funds (Note 5)	63,325,256	566,206,700
Debt securities (Note 1)	1,629,108,194	2,390,986,578
Convertible preference shares (Note 2)	135,000,000	604,683,130
Exchangeable debt securities	-	-
	2,788,812,531	4,803,884,494
Analysed as:		
Listed in Hong Kong	218,607,974	470,768,430
Listed outside Hong Kong	742,771,107	1,210,675,844
Unlisted	1,827,433,450	3,122,440,220
	2,788,812,531	4,803,884,494
Non-current		
Financial assets measured at FVTPL		
Equity securities (Note 3)	604,252,874	691,966,421
Funds (Note 4)	768,212,778	506,100,662
Convertible preference shares (Note 2)	288,075,134	17,003,652
	1,660,540,786	1,215,070,735
Analysed as:		
Unlisted	1,660,540,786	1,215,070,735

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note 1: As at 31 December 2019, the Group did not hold any listed debt securities (2018: HK$439,436,188). The Group held unlisted debt securities of HK$1,629,108,194 (2018: HK$1,951,550,390) which represent investments in corporate bonds.

Note 2: In 2019, the Group purchased preferred shares in a private company engaged in software industry at a consideration of USD7,000,000. In 2016 and 2017, the Group purchased preferred shares in two private companies engaged in the technology sector at a consideration of USD19,999,997 and USD1,284,033 respectively. The Preferred Shares contain a conversion feature to convert into the ordinary shares of the issuers. The Group has designated both investments and the associated conversion feature as financial assets at FVTPL on initial recognition.

Note 3: In 2017, the Group purchased ordinary shares in a private company engaged in the technology sector at a consideration of USD45,000,000. In 2015 and 2016, the Group purchased ordinary shares in a private company engaged in financial leasing services sector at a consideration of HK$193,729,822 and HK$111,981,587 respectively The directors of the Company manage and its performance is evaluated on a fair value basis in accordance with the Group's investment strategy so that the Group designated the investments as financial assets at FVTPL on initial recognition.

Note 4: In 2016, the Group has entered into an equity return swap agreement with a third party, whereby the Group will transfer the return of an investment fund of HK$690,325,778 (2018: HK$506,100,662) to the counterparty on a date specified in the agreement. The Group has designated the investment fund as financial assets at FVTPL as the investment fund is managed and its performance is evaluated on a fair value basis, and recognised the corresponding liability as financial liabilities at FVTPL as disclosed in Note 26. During the year, the management reassessed the investment situation and classified a fund from current portion to non-current portion. In 2018, the Group purchased a private investment fund at a consideration of USD10,000,000. The directors of the Company manage and its performance is evaluated on a fair value basis in accordance with the Group's investment strategy so that the Group designated the investment as financial assets at FVTPL on initial recognition. During the year, the management reassessed the investment situation and classified the fund from current portion to non-current portion.

Note 5: As at 31 December 2019, the Group did not hold open-end funds (the “listed funds”) (2018: HK$85,077,353). The Group held unlisted funds of HK$63,325,256 (2018: HK$566,206,700).

Fair value of the Group's financial assets at fair value through profit or loss are determined in the manner described in Note 40 to the consolidated financial statements.

In the opinion of the directors of the Company, non-current financial assets at fair value through profit or loss are not expected to be realised within one year from the end of the reporting period.

18. LOANS RECEIVABLE

	2019 HK$	2018 HK$
Secured, interest bearing at HIBOR+6.5% per annum	-	300,000,000
Secured, interest bearing at 8% per annum	-	64,707,373
Secured, interest bearing at 26% per annum	60,000,000	60,000,000
	60,000,000	424,707,373
Less: Impairment allowance – Stage 3	(60,000,000)	(60,000,000)
	-	364,707,373
Analysed for reporting purposes as:		
Current assets	60,000,000	424,707,373
Less: Impairment allowance – Stage 3	(60,000,000)	(60,000,000)
	-	364,707,373
The following is a credit quality analysis of loans receivable:		
Neither past due nor impaired	-	364,707,373
Impaired	60,000,000	60,000,000
	60,000,000	424,707,373

As at 31 December 2019, an impairment allowance of HK$60,000,000 (2018: HK$60,000,000) has been provided on a loan receivable of HK$60,000,000 (2018: HK$60,000,000) which has been past due as at the end of the reporting period. In determining the amount of impairment allowance, management considered the financial background and repayment history of the borrower and future cash flows expected to be generated from the loan receivable. Other than that, at 31 December 2019, the loans receivable were secured by private equity interests (2018: private equity interests).

Movements in the impairment allowance are as follows:

	2019 HK$	2018 HK$
Balance at beginning of the year	60,000,000	60,000,000
Initial adoption of HKFRS 9	-	14,109,688
Provision for the year	-	-
Reversal of impairment losses	-	(14,109,688)
Balance at end of the year	60,000,000	60,000,000

In 2018, the management considered there is no impairment required for those loans receivable that were neither past due nor impaired as there is no change in credit quality.

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$	2018 HK$
Other receivables	117,341,108	159,046,657
Deposits	11,706,688	11,856,465
Prepayments	4,960,856	8,476,109
Less: Impairment allowance – Stage 1	(609,596)	(324,122)
	133,399,056	179,055,109
Analysed for reporting purposes as:		
Current assets	122,937,082	168,593,935
Non-current assets	10,461,974	10,461,174
	133,399,056	179,055,109

20. OTHER ASSETS

	2019 HK$	2018 HK$
Statutory deposits	24,348,720	23,895,375
Less: Impairment allowance – Stage 1	(165,418)	(165,521)
	24,183,302	23,729,854

21. TRADE RECEIVABLES

(a) Analysed by nature:

	2019 HK$	2018 HK$
Trade receivables arising from the business of securities dealing and broking, corporate finance and advisory services and investment trading:		
Cash clients	163,074,611	280,391,743
Margin clients	3,214,295,074	3,837,319,843
Hong Kong Securities Clearing Company Limited ("HKSCC")	149,920,250	12,004,326
The SEHK Options Clearing House Limited ("SEOCH")	4,457,237	9,354,686
Brokers	568,330,298	3,049,414,393
Reverse repurchase agreements (Note 1)	1,037,181,308	1,365,032,201
Corporate finance and advisory services customers	14,265,736	8,217,732
Underwriting and placing customers	26,064,238	1,064,238
Others	6,432,350	57,616,584
	5,184,021,102	8,620,415,746
Less: Impairment allowance on margin clients	(250,565,713)	(53,160,205)
Impairment allowance on reverse repurchase agreements	(21,439)	(175,984)
Impairment allowance on other trade receivables	(7,414,484)	(1,632,635)
Total impairment allowance on trade receivables	(258,001,636)	(54,968,824)
	4,926,019,466	8,565,446,922

21. TRADE RECEIVABLES (CONTINUED)

Note 1:

The receivable from reverse repurchase agreements arises when the securities are bought by the Group with a concurrent agreement to resell at a specified later date and price. These securities are not recognised in the Group's consolidated statement of financial position as the counterparty retains substantially all risks and returns of the securities. The amount paid by the Group is recognised as receivable. In the event of default by the counterparty, the Group has the right to sell the underlying securities for settling the outstanding receivable.

As at 31 December 2019, the outstanding amount paid for the reverse repurchase agreements was HK$1,037,181,308 (2018: HK$1,365,032,201) and was recognised as receivable from reverse repurchase agreements.

The fair value of collaterals received for the outstanding receivable at the year end was HK$1,779,035,000 (2018: HK$2,119,370,000).

(b) Analysed for reporting purposes:

	2019 HK$	2018 HK$
Current assets	4,926,019,466	7,273,225,986
Non-current assets	-	1,292,220,936
	4,926,019,466	8,565,446,922

(c) Analysed by the Stages of ECLs:

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 31 December 2019	4,203,239,307	49,323,557	931,458,238	5,184,021,102

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
As at 31 December 2018	7,792,886,501	596,872,350	230,656,895	8,620,415,746

The normal settlement terms of trade receivables from clients, brokers and clearing houses are within two days after trade date or at specific terms agreed with clearing houses and brokers. Trading limits are set for clients. Normal settlement terms of trade receivables from corporate finance and advisory services, underwriting and placing customers are determined in accordance with the contract terms.

As at 31 December 2019, the total market value of securities pledged as collaterals in respect of loans to margin clients was approximately HK$30,103,432,000 (2018: HK$29,087,057,000). The loans to margin clients bear variable interests at commercial rates, and are repayable on demand. The fair value of each client's listed securities is higher than the carrying amount of each individual loan to margin client. No collateral was pledged for other trade receivables.

21. TRADE RECEIVABLES (CONTINUED)

Impairment

The movement in balance of loans to margin clients are as follows:

HK$	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	4,525,281,476	360,103,551	192,913,225	5,078,298,252
New assets originated or purchased	1,059,556,069	146,972,648	43,570,637	1,250,099,354
Assets derecognised or matured	(2,259,759,788)	(172,473,720)	(58,844,255)	(2,491,077,763)
Transfer to Stage 1	342,737,816	(179,940,669)	(162,797,147)	-
Transfer to Stage 2	(447,728,031)	450,012,701	(2,284,670)	-
Transfer to Stage 3	(210,296,944)	(7,802,161)	218,099,105	-
As at 31 December 2018	3,009,790,598	596,872,350	230,656,895	3,837,319,843

HK$	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	3,009,790,598	596,872,350	230,656,895	3,837,319,843
New assets originated or purchased	1,030,946,030	33,247,077	32,971,718	1,097,164,825
Assets derecognised or matured	(1,064,323,111)	(146,164,826)	(509,701,657)	(1,720,189,594)
Transfer to Stage 1	88,897,829	(82,042,064)	(6,855,765)	-
Transfer to Stage 2	(14,267,227)	14,400,560	(133,333)	-
Transfer to Stage 3	(814,510,012)	(366,989,540)	1,181,499,552	-
As at 31 December 2019	2,236,534,107	49,323,557	928,437,410	3,214,295,074

At the end of the reporting period, there was a margin loan of which the listed securities pledged as collateral were judicially frozen. As at 31 December 2019, the carrying amount of the margin loan amounted to HK$503 million and the market value of the listed securities pledged as collateral was approximately HK$1,345 million.

The judicial freeze applied on the collateral has an unspecified expiry date. This margin loan is classified under Stage 3 and in assessing the ECL impairment, management has, based on the current circumstances and available information, as well as a legal opinion from an external legal counsel, considered the recoverability of the collateral in various scenarios and applied a probability-weighted method in assessing the ECL allowance as at 31 December 2019. A life-time ECL impairment of HK$16 million was provided in the consolidated financial statements as at 31 December 2019.

Pursuant to the margin financing agreement and the opinion from the external legal counsel, the Group has the pledging rights over the collateral and the interest on the collateral. The Group will proactively take measures to recover the margin loan, including but not limited to, seeking a variation of the frozen collateral from the court. It is unpredictable as to whether the court will lift the judicial freeze and if they do so when this would occur. The extent of the amount of future losses depends on the on-going development of the matter.

21. TRADE RECEIVABLES (CONTINUED)

Impairment (continued)
The movement in balance of trade receivables arising from reverse repurchase agreements are as follows:

HK$	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	-	-	-	-
New assets originated or purchased	2,631,340,546	-	-	2,631,340,546
Assets derecognised or matured	(1,266,308,345)	-	-	(1,266,308,345)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2018	1,365,032,201	-	-	1,365,032,201

HK$	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	1,365,032,201	-	-	1,365,032,201
New assets originated or purchased	85,638,704	-	-	85,638,704
Assets derecognised or matured	(413,489,597)	-	-	(413,489,597)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2019	1,037,181,308	-	-	1,037,181,308

The movement in balance in other trade receivables are as follows:

HK$	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	2,197,380,749	-	-	2,197,380,749
New assets originated or purchased	1,220,682,953	-	-	1,220,682,953
Assets derecognised or matured	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2018	3,418,063,702	-	-	3,418,063,702

21. TRADE RECEIVABLES (CONTINUED)

Impairment (continued)

HK$	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	3,418,063,702	-	-	3,418,063,702
New assets originated or purchased	36,311,721	-	-	36,311,721
Assets derecognised or matured	(2,521,045,368)	-	(785,335)	(2,521,830,703)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(3,806,163)	-	3,806,163	-
As at 31 December 2019	929,523,892	-	3,020,828	932,544,720

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Movements in the impairment allowance are as follows:

2018

HK$	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018	170,225	-	-	170,225
Initial adoption of HKFRS 9	15,654,888	4,986,859	26,861,286	47,503,033
Charge for the year	7,315,715	168,884	45,640,228	53,124,827
Reversal of impairment	(38,323,920)	(2,963,741)	(4,541,600)	(45,829,261)
Transfer to Stage 1	23,997,627	(1,922,032)	(22,075,595)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(30,345)	30,345	-
As at 31 December 2018	8,814,535	239,625	45,914,664	54,968,824

2019

HK$	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	8,814,535	239,625	45,914,664	54,968,824
Charge for the year	3,110,519	-	243,715,148	246,825,667
Reversal of impairment	(2,471,647)	(1,607)	(41,319,601)	(43,792,855)
Transfer to Stage 1	410,111	(238,018)	(172,093)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(6,003,923)	-	6,003,923	-
As at 31 December 2019	3,859,595	-	254,142,041	258,001,636

21. TRADE RECEIVABLES (CONTINUED)

Impairment (continued)
Movements in the impairment allowance are as follows: (continued)

Trade receivables with a total carrying amount of HK$4,881,929,719 (2018: HK$8,487,807,146) which are neither past due nor impaired at the reporting date.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoiced date and net of impairment allowance, is as follows:

	2019 HK$	2018 HK$
1 - 30 days	32,526,681	15,915,885
31 - 60 days	567,059	48,994,919
61 - 90 days	537,485	4,072,512
Over 90 days	10,458,522	8,656,460
	44,089,747	77,639,776

The management considered there is no impairment required for those trade receivables that are past due but nor impaired as there are subsequent settlement or no change in credit quality for both years.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December					
	2019			2018		
	Notional amount HK$	Assets HK$	Liabilities HK$	Notional amount HK$	Assets HK$	Liabilities HK$
Stock index futures	73,439,139	28,550	1,054,505	525,297,946	3,183,053	383,990
Treasury bond futures	-	-	-	523,678,202	-	3,697,956
Interest rate swaps	-	-	-	1,209,229,920	829,571,325	4,502,089
Currency options	-	-	-	998,125,477,786	10,726,415,249	12,628,664,240
Currency swaps	-	-	-	1,174,770,000	-	2,151,975
Currency forwards	-	-	-	211,828,015,028	7,933,559,113	8,335,306,567
Credit default swaps	-	-	-	1,326,752,920	608,601	828,663,197
Total return swaps	3,115,480,000	11,031,796	-	8,405,767,303	35,164,915	8,445,628
Variance swaps	-	-	-	71,685,578,539	448,594,810	655,749,741
	3,188,919,139	11,060,346	1,054,505	1,294,804,567,644	19,977,097,066	22,467,565,383

23. LOAN FROM THE ULTIMATE HOLDING COMPANY

As at 31 December 2019, the loan from the ultimate holding company is unsecured, carries interests at fixed rate of 3.45% (2018: 3.45%) and repayable on demand.

24. AMOUNT DUE FROM/TO A FELLOW SUBSIDIARY/THE ULTIMATE HOLDING COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

25. BANK BALANCES

	2019 HK$	2018 HK$
Bank balances		
- house accounts	540,774,191	657,778,322
- trust accounts (Note)	3,785,937,462	3,906,498,115
	4,326,711,653	4,564,276,437
Less: Impairment allowance – Stage 1	(400,667)	(982,328)
	4,326,310,986	4,563,294,109

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term time deposit rates. The carrying amounts of the cash and cash equivalents approximately to its fair value.

As at 31 December 2019, the impairment allowance of bank balances in trust accounts amounted to HK$400,667 (2018: HK$982,328). It is classified as Stage 1 under ECL model and there was no transfer to/from the other Stages.

Note: From the Group's ordinary business, it receives and holds monies deposited by clients and other institutions in the course of conducing the regulated activities. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective clients and other institutions as the Group currently does not have an enforceable right to offset these payables with the deposits placed. The fair values of these assets at the end of the reporting period approximate their carrying amounts.

26. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$	2018 HK$
Current		
Financial liabilities held for trading and financial liabilities measured at FVTPL		
Equity securities	-	123,231,738
Debt securities	81,117,173	-
	81,117,173	123,231,738
Analysed as:		
Listed in Hong Kong	-	87,252,825
Listed outside Hong Kong	-	35,978,913
Unlisted	81,117,173	-
Total current	81,117,173	123,231,738
Non-current		
Financial assets measured at FVTPL		
Equity return swap	667,198,496	524,457,570
Analysed as:		
Unlisted	667,198,496	524,457,570

27. TRADE PAYABLES

Trade payables arising from the business of securities dealing and broking and investment trading are as follows:

	2019 HK$	2018 HK$
Brokers	782,986,901	309,766,929
Cash clients	2,126,974,964	2,293,309,328
Margin clients	1,827,173,988	1,751,390,634
HKSCC	81,707,591	175,318,196
Others	6,262,199	163,586,785
	4,825,105,643	4,693,371,872

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date. Trade payables to certain cash and margin clients arising from the business of dealing in securities bear variable interests at commercial rates, and are repayable on demand subsequent to settlement date.

As at 31 December 2019, included in trade payables to brokers was a margin loan of HK$761,065,411 (2018: HK$129,047,879) from a broker bearing interest ranging from LIBOR + 0.3% to LIBOR + 1% (2018: LIBOR + 1%). The total market value of debt securities pledged as collaterals in respect of this margin loan was approximately HK$899,707,000 (2018: HK$264,939,000). No collateral was pledged on other trade payables.

As at 31 December 2019, trade payables with a total carrying amount of HK$3,785,937,462 (2018: HK$3,906,498,115) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

28. CONTRACT LIABILITIES

	2019 HK$	2018 HK$
Deferred fee income	10,911,730	8,382,915

29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2019 HK$	2018 HK$
Current		
Analysed by collateral type:		
Debt securities	2,348,360,346	2,036,451,473
Analysed by market:		
Over-the-counter	2,348,360,346	2,036,451,473

The financial assets sold under repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not derecognised from the Group's consolidated statement of financial position and are retained within the appropriate financial assets classification. The amount received by the Group is recognised as liabilities as the Group retains substantially all risks and returns of the securities.

29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

As at 31 December 2019, the outstanding amount received from repurchase agreements was HK$2,348,360,346 (2018: HK$2,036,451,473) and was recognised as financial assets sold under repurchase agreements. The fair value of the assets pledged as collaterals amounted to HK$3,107,009,000 (2018: HK$2,823,179,000) as at 31 December 2019.

30. NOTES PAYABLE

	2019 HK$	2018 HK$
Global Health Science Fund I, L.P., a joint venture	-	78,318,000
Global Health Science Fund II, L.P., a joint venture	204,842,810	299,957,940
Horizon Partners Fund L.P., an associate	-	4,088,200
	204,842,810	382,364,140

Notes payable of HK$177.5 million was redeemed in 2019. The remaining note payable is unsecured, carries interests at rate of HIBOR+2% and repayable on demand.

31. BANK BORROWINGS

	2019 HK$	2018 HK$
The carrying amounts of the bank borrowings are repayable:		
Within one year	684,004,328	7,765,893,500
Within a period of more than one year but not exceeding five years	1,181,833,142	-
	1,865,837,470	7,765,893,500

As at 31 December 2019, certain bank borrowings with a total carrying amount of HK$99,851,200 (2018: HK$330,747,940) were repledged by clients' securities and the remaining balance is unsecured. As at 31 December 2019, the total market value of securities repledged amounted to HK$2,460,683,000 (2018: HK$4,099,950,000). The bank borrowings bear variable interest rates at annual rates ranging from LIBOR + 1.30% to LIBOR +1.65% or cost of fund rate + 1.10% (2018: HIBOR + 0.95% to HIBOR + 2.09% or LIBOR + 1.30% to LIBOR +1.65% or cost of fund rate + 1.10%).

The Company has entered into the syndicated, revolving and clean loans with several banks. Pursuant to the loan agreements, some of them contain financial covenants that the Company is required to satisfy. If any such covenants are not satisfied, the lenders may, among others, by notice to the Company declare that all or part of loans shall become immediately due and payable.

Based on the consolidated financial statements of the Company for the year ended 31 December 2019, the Company did not satisfy one of the said financial covenants. The Company has obtained the waivers from the lenders before the end of the reporting period. The outstanding amount of relevant bank borrowings amounted approximately HK$1,182 million (2018: HK$3,486 million) which were classified as non-current liabilities (2018: current liabilities) in the consolidated financial statements of the Company for the year ended 31 December 2019. As at the date of this report, none of the lenders has expressed an intention to accelerate repayment of their loans.

32. THIRD-PARTY INTERESTS IN CONSOLIDATED INVESTMENT FUNDS

Third-party interests in consolidated investment funds consist of third-party unitholders' interests in consolidated investment funds which are reflected as liabilities since they can be put back to the Group for cash. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unitholders in consolidated investment funds that are subject to market risk and the actions of third-party investors.

33. SHARE CAPITAL

	Number of shares		Share capital	
	2019	2018	2019	2018
			HK$	HK$
Issued and fully paid:				
At beginning and end of year	5,600,000,000	5,600,000,000	5,600,000,000	5,600,000,000

34. PRINCIPAL SUBSIDIARIES

The below table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation	Class of shares	Issued share capital	Ownership interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2019	2018	2019	2018	
GF Securities (Hong Kong) Brokerage Limited	Hong Kong	Ordinary	HK$2,800,000,000	100%	100%	-	-	Securities brokerage
GF Capital (Hong Kong) Limited	Hong Kong	Ordinary	HK$130,000,000	100%	100%	-	-	Advisory services
GF Asset Management (Hong Kong) Limited	Hong Kong	Ordinary	HK$325,000,000	100%	100%	-	-	Asset management
GF Investments (Hong Kong) Company Limited	Hong Kong	Ordinary	HK$5,000,000	100%	100%	-	-	Investment holding
GF Global Capital Limited	Hong Kong	Ordinary	HK$1,600,000,000	100%	100%	-	-	Investment trading
GF Wealth Management (Hong Kong) Limited	Hong Kong	Ordinary	HK$15,000,000	-	-	100%	100%	Financial management
GF Canada Holdings Company Limited	Canada	Ordinary	CAD3,000,000	100%	100%	-	-	Investment holding
GF Asset Management (Canada) Company Limited	Canada	Ordinary	CAD3,000,000	-	-	100%	100%	Asset management
GF Securities (Canada) Company Limited	Canada	Ordinary	CAD16,400,000	-	-	100%	100%	Financial management
Guangfa Xinde Capital Management Limited	British Virgin Islands	Ordinary	-	-	-	100%	100%	Investment management
GF Bright Investment Limited	British Virgin Islands	Ordinary	-	-	-	100%	100%	Equity investment
GF Investments (Cayman) Company Limited	Cayman Islands	Ordinary	USD600,000	-	-	100%	100%	Advisory services
GF Investment Management (Hong Kong) Company Limited	Hong Kong	Ordinary	HK$3,800,000	-	-	100%	100%	Advisory services
GF Energy Investment Limited	British virgin Islands	Ordinary	USD1	-	-	91.85%	91.85%	Equity investment
GF Partners Ltd.	Cayman Islands	Ordinary	USD1	-	-	51%	51%	Investment trading

34. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows: (continued)

Name of subsidiary	Place of incorporation	Class of shares	Issued share capital	Ownership interest and voting power held by the Company				Principal activities
				Directly		Indirectly		
				2019	2018	2019	2018	
廣發金控(深圳)投資管理有限公司	PRC	Ordinary	RMB10,000,000	-	-	100%	100%	Investment advisory
GF Wise Limited (previously known as "GF Tarena Limited")	British Virgin Islands	Ordinary	USD50,000	-	-	100%	100%	Investment trading
SF Project (Cayman) Limited	Cayman Islands	Ordinary	USD0.1	-	-	100%	100%	Investment holding
Canton Fortune Limited	Hong Kong	Ordinary	USD6,510,410	-	-	100%	100%	Investment holding
GF GTEC Investment Management Ltd.	Cayman Islands	Ordinary	USD100	-	-	100%	100%	Asset management
GF Optimus Ltd. (previously known as "GF Qianheng I Limited")	British Virgin Islands	Ordinary	-	-	-	100%	100%	Equity investment
GF Global Partners Ltd.	Cayman Islands	Ordinary	USD0.01	-	-	100%	100%	Investment holding
GFGI Limited	Cayman Islands	Ordinary	USD0.01	-	-	100%	100%	Equity investment
Ever Glory Limited	Cayman Islands	Ordinary	USD1	-	-	100%	100%	Investment trading
Ever Alpha Fund L.P.	Cayman Islands	General Partner Limited Partner	- USD70,000,000	- -	- -	- 21.43%	- 21.32%	Equity investment
GF China Advantage Fund L.P.	Cayman Islands	General Partner Limited Partner	USD85,368 USD19,919,032	- -	- -	51% 57.12%	51% 57.12%	Investment trading
GF Global Investment Fund I, L.P.	Cayman Islands	General Partner Limited Partner	- USD40,678,424	- -	- -	- 50.41%	- 50.41%	Equity investment
GF GTEC Funds SPC - GTEC Neutron Equity Market Neutral Fund SP	Cayman Islands	Participating	-	-	-	-	78.95%	Investment trading
GF GTEC Funds SPC - GTEC Pandion Multi-Strategy Fund SP	Cayman Islands	Participating	-	-	-	-	99.90%	Investment trading
GF GTEC Funds SPC - GTEC Proton Equity Fund SP	Cayman Islands	Participating	-	-	-	-	99.40%	Investment trading
Horizon Holdings	Cayman Islands	Ordinary	USD1	-	-	36.84%	36.86%	Equity investment

No details of non-wholly owned subsidiaries that have non-controlling interests as at 31 December 2019 and 2018 were disclosed, as in the opinion of the directors, these non-controlling interests were not material to the Group.

35. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreements signed between the Group and the customers, money obligation receivable and payable with the same customer are settled on a net basis.

Under the continuous net settlement, money obligation receivable and payable with HKSCC and other brokers on the same settlement date are settled on a net basis.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are disclosed as follows.

As at 31 December 2019

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$	HK$	HK$	HK$	HK$	HK$
Description						
Trade receivables from cash and margin clients, clearing houses, brokers	4,903,420,617	(1,053,908,860)	3,849,511,757	(203,733,953)	(2,963,729,361)	682,048,443
Derivative financial assets (Note 22)	11,060,346	-	11,060,346	-	-	11,060,346
Total	4,914,480,963	(1,053,908,860)	3,860,572,103	(203,733,953)	(2,963,729,361)	693,108,789

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$	HK$	HK$	HK$	HK$	HK$
Description						
Trade payables to brokers, cash and margin clients and clearing house	5,872,752,304	(1,053,908,860)	4,818,843,444	(203,733,953)	(761,065,411)	3,854,044,080
Derivative financial liabilities (Note 22)	1,054,505	-	1,054,505	-	-	1,054,505
Total	5,873,806,809	(1,053,908,860)	4,819,897,949	(203,733,953)	(761,065,411)	3,855,098,585

35. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2018

Description	Gross amounts of recognised financial assets HK$	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Collateral received HK$	Net amount HK$
Trade receivables from cash and margin clients, clearing houses, brokers	8,498,773,292	(1,363,448,506)	7,135,324,786	(445,343,544)	(3,784,159,638)	2,905,821,604
Derivative financial assets (Note 22)	19,977,097,066	-	19,977,097,066	(19,977,097,066)	-	-
Total	28,475,870,358	(1,363,448,506)	27,112,421,852	(20,422,440,610)	(3,784,159,638)	2,905,821,604

Description	Gross amounts of recognised financial liabilities HK$	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Collateral pledged HK$	Net amount HK$
Trade payables to brokers, cash and margin clients and clearing house	5,893,233,593	(1,363,448,506)	4,529,785,087	(445,343,544)	(129,047,879)	3,955,393,664
Derivative financial liabilities (Note 22)	22,467,565,383	-	22,467,565,383	(19,977,097,066)	-	2,490,468,317
Total	28,360,798,976	(1,363,448,506)	26,997,350,470	(20,422,440,610)	(129,047,879)	6,445,861,981

The tables below reconcile the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position.

	2019 HK$	2018 HK$
Trade receivables		
Net amount of trade receivables as stated above	3,849,511,757	7,135,324,786
Amount not in scope of offsetting disclosures	1,076,507,709	1,430,122,136
Total amount of trade receivables as stated in Note 21	4,926,019,466	8,565,446,922
Trade payables		
Net amount of trade payables as stated above	4,818,843,444	4,529,785,087
Amount not in scope of offsetting disclosures	6,262,199	163,586,785
Total amount of trade payables as stated in Note 27	4,825,105,643	4,693,371,872

36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following major transactions with related parties during both years:

	Management fee income	
	2019	2018
	HK$	HK$
Fellow subsidiary	-	5,182,000
Associate	988,808	989,186

	Interest income	
	2019	2018
	HK$	HK$
Fellow subsidiary	-	1,111,901
Joint venture	426,355	556,882

	Brokerage commission expenses	
	2019	2018
	HK$	HK$
Fellow subsidiary	165,787	2,740,036

	Interest expenses	
	2019	2018
	HK$	HK$
Ultimate holding company	19,144,078	19,152,205
Fellow subsidiary	48,951	-
Joint ventures	9,101,748	5,475,367
Associate	184,398	-

	Other operating expenses	
	2019	2018
	HK$	HK$
Ultimate holding company	1,770,717	-

Compensation of key management personnel

The remuneration of HK$22,040,185 (2018: HK$10,639,594) were paid to directors and members of key management of the Company during the year.

37. OPERATING LEASE COMMITMENTS

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$
Within one year	32,107,963
In the second to fifth year inclusive	37,138,767
After five years	282,586
	69,529,316

As at 31 December 2019, the futures lease payments for the non-cancellable are HK$26,025 due within one year.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2019 HK$	2018 HK$
Financial assets		
Financial assets at fair value through profit or loss		
- Held for trading	4,449,353,317	6,018,955,229
- Investments in associates at fair value through profit or loss	231,204,039	217,992,110
- Derivative financial assets	11,060,346	19,977,097,066
Financial assets at fair value through other comprehensive income	2,521,257,731	4,541,263,681
Financial assets at amortised cost		
- Loans and receivables (including bank balances)	9,429,320,559	13,796,331,204
Financial liabilities		
Derivative financial liabilities	1,054,505	22,467,565,383
Financial liabilities at fair value through profit or loss		
- Held for trading	748,315,669	647,689,308
- Third-party interests in consolidated investment funds	612,955,678	726,306,398
Financial liabilities at amortised cost	9,962,555,594	15,623,714,257

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include derivative financial assets, investments in associates measured at fair value, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loans receivable, trade receivables, other receivables and deposits, amounts due from/to fellow subsidiaries, bank balances, derivative financial liabilities, financial liabilities at fair value through profit or loss, trade payables, notes payable, bank borrowings, loan from the ultimate holding company, amount due to the ultimate holding company, other payables, third-party interests in consolidated investment funds, contract liabilities and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk
The Group's activities expose it primarily to the market risk of changes in interest rates, equity prices, and foreign exchange rates.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to loans receivable and loan from the ultimate holding company bearing interest at fixed rates. The management considers that the risk is insignificant as these amounts are carried at amortised cost.

The Group is also exposed to fair value interest rate risk that primarily relates to debt securities classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income bearing interest at fixed rates.

Sensitivity analysis
As at 31 December 2019, if interest rates had been 10 basis points (2018: 10 basis points) higher/lower for debt securities classified as financial assets at fair value through profit or loss and financial assets at other comprehensive income with all other variables held constant, loss (2018: loss) before taxation would increase/decrease (2018: increase/decrease) by approximately HK$20,891,000/HK$21,693,000 (2018: HK$13,052,000/HK$13,914,000) and investment revaluation reserve would decrease/increase by approximately HK$27,234,000/HK$28,000,000 (2018: HK$24,588,000/HK$25,487,000) respectively.

Cash flow interest rate risk

The Group is also exposed to cash flow interest rate risk through the impact of rate changes on financial assets and liabilities bearing interest at variable rates, which are mainly, bank balances carrying interests at prevailing market rates, debt securities (including financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss), trade receivables and bank borrowings.

The following table summarises the effective interest rates of major variable-rate interest bearing financial assets and liabilities as at the end of reporting period.

	2019	2018
Effective interest rate		
Bank balances	Prevailing market rates	Prevailing market rates
Debt securities	Rates determined by the issuers	Rates determined by the issuers
Receivables from cash clients *	Prime rate + 8%	Prime rate + 8%
Receivables from margin clients	Prime rate + 3%	Prime rate + 3%
Bank borrowings	LIBOR + 1.30% to LIBOR + 1.65% or cost of fund rate + 1.10%	HIBOR + 0.95% to + 2.09% or LIBOR + 1.30% to + 1.65% or Cost of fund rate + 1.10%

* when overdue

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Sensitivity analysis

The sensitivity analysis for the year ended 31 December 2019 below has been determined based on the exposures to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 50 basis points (2018: 50 basis points) change is used for trade receivables from cash and margin clients and bank borrowings while 4 basis points (2018: 4 basis points) change is used for bank balances and 10 basis points (2018: 10 basis points) is used for debt securities when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible changes in interest rates. The following indicates an increase/decrease in loss before taxation (2018: increase/decrease in loss before taxation) when the interest rates of the financial assets and liabilities increase/decrease by the respective rates mentioned above.

	Impact	
	2019	2018
	HK$	HK$
Loss before taxation	10,008,672	(15,445,629)

Price risk

The Group is exposed to price risk in respect of its listed investments in debt and equity securities, investment funds and derivatives which are classified as financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, derivative financial assets, financial liabilities at fair value through profit or loss and derivative financial liabilities. The principal investment objective of the Group is to achieve capital appreciations and steady returns through investing primarily in securities of companies which are listed, quoted or traded on major stocks exchanges worldwide. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is 20% (2018: 20%) as a result of the volatile financial market.

If prices had been 20% (2018: 20%) higher/lower, loss before taxation for the year ended 31 December 2019 would decrease/increase by approximately HK$204,941,000 (2018: HK$353,304,000).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows.

	Assets		Liabilities	
	2019 HK$	2018 HK$	2019 HK$	2018 HK$
United States Dollars ("USD")	8,714,122,948	34,530,888,910	7,616,057,912	32,824,218,539
Renminbi ("RMB")	1,246,111,497	966,664,454	905,866,424	700,748,996
Australian Dollars ("AUD")	8,108,382	9,414,492	4,519,556	5,522,047
Canadian Dollars ("CAD")	50,282,517	59,019,899	8,494,621	626,147
European Dollars ("EUR")	3,588,072	2,626,365	1,598,821	113,439
Japanese Yen ("JPY")	898,308	751,984	3,631	7,652
British Pound ("GBP")	2,186,069	100,724,231	1,588,255	102,425,129
Singapore Dollars ("SGD")	9,683,547	16,615,397	6,652,521	6,172,511
Taiwanese Dollars ("NTD")	-	100	-	-
Korean Won ("KRW")	231,428	166,804	-	-
Thai Baht ("THB")	675	313	-	-
Swiss Francs ("CHF")	32,745	30,853	-	-

The main currency risk exposed to the Group is HK$ against USD, RMB, AUD, CAD, SGD, EUR, JPY, GBP and KRW. There is no sensitivity analysis for USD prepared as the management considered that the effect is insignificant under the linked exchange rate system. For the currency risk exposure in HK$ against NTD, CHF and THB, the potential impacts on profit or loss to the Group are insignificant.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)
Foreign currency risk (continued)
Foreign currency sensitivity analysis
The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in HK$ against the relevant foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting the foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the year end at 5% (2018: 5%) change in foreign currency rates. The following indicates a decrease in loss before taxation (2018: decrease in loss before taxation) where HK$ weaken against the relevant foreign currencies by 5%. For a 5% strengthening of HK$ against the relevant foreign currencies, the impact on the profit before taxation would be equal but opposite.

Impact

	2019 HK$	2018 HK$
Loss before taxation		
- RMB	17,012,254	13,295,773
- AUD	179,441	194,622
- CAD	2,089,395	2,919,688
- SGD	151,551	522,144
- EUR	99,463	125,646
- JPY	44,734	37,217
- GBP	29,891	(85,045)
- KRW	11,571	8,340

Credit risk
As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amounts of respective recognised financial assets as stated in the consolidated statement of financial position.

Other than concentration of credit risk on bank balances which are deposited with several banks with high credit ratings, trade receivables and loans receivable as mentioned above, the Group had no significant concentration of credit risk by any single debtor, with exposures spread over a number of counterparties. The credit risk on debt securities are limited as the Group has a documented policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The credit ratings of its counterparties are continuously monitored by the Group and rated by well-known rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC.

The Group has concentration of credit risk of bank balances and brokers included in trade receivables which are deposited at a bank and a security broker in Hong Kong that represent 29% and 67% (2018: 15% and 62%) of the Group's bank balances and trade receivables from brokers. The top five margin clients represent 43% (2018: 38%) of the total receivable from margin clients as at 31 December 2019. The Group also has concentration of credit risk of a client for loans receivable, which represents 82% of the loans receivable as at 31 December 2018.

In order to minimise the credit risk mentioned above, the Group reviews the recoverable amount of trade receivables and loans receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and trade receivables from brokers is limited because the counterparties are banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Group manages liquidity risk by maintaining adequate reserves and sufficient level of bank balances.

Internally generated cash flow is the main source of funds to finance the operations of the Group. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

As at 31 December 2019, the Group has available unutilised bank facilities of approximately HK$11,663 million (2018: HK$13,679 million).

The following tables detail the Group's expected maturity for its financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Repayable on demand HK$	Less than 3 months HK$	3 months to 1 year HK$	1 year to 5 years HK$	More than 5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
2019							
Non-derivative financial liabilities							
Financial liabilities at fair value through profit or loss	81,117,173	-	-	667,198,496	-	748,315,669	748,315,669
Trade payables	4,508,510,832	316,594,811	-	-	-	4,825,105,643	4,825,105,643
Bank borrowings	684,560,843	3,418,437	-	1,210,533,142	-	1,898,512,422	1,865,837,470
Other payables	35,812,484	-	-	-	-	35,812,484	35,812,484
Third party interests in consolidated investment funds	437,656,048	-	-	175,299,630	-	612,955,678	612,955,678
Amount due to the ultimate holding company	26,775,479	-	-	-	-	26,775,479	26,775,479
Loan from the ultimate holding Company	539,404,635	-	-	-	-	539,404,635	539,404,635
Amount due to a fellow subsidiary	59,709,159	-	-	-	-	59,709,159	59,709,159
Notes payable	204,842,810	-	-	-	-	204,842,810	204,842,810
Financial assets sold under repurchase agreements	-	2,363,511,946	-	-	-	2,363,511,946	2,348,360,346
Contract liabilities	10,911,730	-	-	-	-	10,911,730	10,911,730
Lease liabilities	-	8,798,922	26,189,681	12,204,399	1,221,808	48,414,810	45,795,838
	6,589,301,193	2,692,324,116	26,189,681	2,065,235,667	1,221,808	11,374,272,465	11,323,826,941
Derivative financial liabilities	-	1,054,505	-	-	-	1,054,505	1,054,505

	Repayable on demand HK$	Less than 3 months HK$	3 months to 1 year HK$	1 year to 5 years HK$	More than 5 years HK$	Total undiscounted cash flows HK$	Carrying amounts HK$
2018							
Non-derivative financial liabilities							
Financial liabilities at fair value through profit or loss	123,231,738	-	-	524,457,570	-	647,689,308	647,689,308
Trade payables	4,166,044,089	370,691,783	156,636,000	-	-	4,693,371,872	4,693,371,872
Bank borrowings	7,808,952,450	-	-	-	-	7,808,952,450	7,765,893,500
Other payables	126,144,327	-	-	-	-	126,144,327	126,144,327
Third party interests in consolidated investment funds	165,764,042	-	-	560,542,356	-	726,306,398	726,306,398
Amount due to the ultimate holding company	8,132,317	-	-	-	-	8,132,317	8,132,317
Loan from the ultimate holding company	-	-	567,834,969	-	-	567,834,969	550,427,693
Amount due to a fellow subsidiary	60,928,935	-	-	-	-	60,928,935	60,928,935
Notes payable	382,364,140	-	-	-	-	382,364,140	382,364,140
Financial assets sold under repurchase agreements	519,580,374	1,356,934,753	171,750,819	-	-	2,048,265,946	2,036,451,473
	13,361,142,412	1,727,626,536	896,221,788	1,084,999,926	-	17,069,990,662	16,997,709,963
Derivative financial liabilities	1,248,879	3,186,634,408	7,794,382,614	11,485,299,482	-	22,467,565,383	22,467,565,383

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2019			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Financial assets at fair value through profit or loss				
- Equity securities	961,379,081	-	1,027,328,008	1,988,707,089
- Unlisted investment funds	-	63,325,256	768,212,778	831,538,034
- Debt securities	-	1,263,747,442	365,360,752	1,629,108,194
Investments in associates at fair value through profit or loss	-	-	231,204,039	231,204,039
Debt securities at fair value through other comprehensive income	-	2,130,849,143	390,408,588	2,521,257,731
Derivative financial assets	28,550	-	11,031,796	11,060,346
Total	961,407,631	3,457,921,841	2,793,545,961	7,212,875,433
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Unlisted investment funds	-	-	612,955,678	612,955,678
- Debt securities	-	81,117,173	-	81,117,173
- Equity return swap	-	-	667,198,496	667,198,496
Derivative financial liabilities	1,054,505	-	-	1,054,505
Total	1,054,505	81,117,173	1,280,154,174	1,362,325,852

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) **Fair value hierarchy** (continued)

	31 December 2018			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Financial assets at fair value through profit or loss				
- Equity securities	421,284,600	-	2,134,376,689	2,555,661,289
- Unlisted investment funds	-	566,206,700	506,100,662	1,072,307,362
- Debt/convertible debt securities	439,436,188	945,360,392	1,006,189,998	2,390,986,578
Investments in associates at fair value through profit or loss	-	-	217,992,110	217,992,110
Debt securities at fair value through other comprehensive income	-	4,541,263,681	-	4,541,263,681
Derivative financial assets	3,183,053	7,933,559,113	12,040,354,900	19,977,097,066
Total	863,903,841	13,986,389,886	15,905,014,359	30,755,308,086
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Equity securities	123,231,738	-	-	123,231,738
- Equity return swap	-	-	524,457,570	524,457,570
Derivative financial liabilities	4,482,472	8,335,306,567	14,127,776,344	22,467,565,383
Total	127,714,210	8,335,306,567	14,652,233,914	23,115,254,691

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions

The following table summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of the Group's Level 3 assets and liabilities.

As at 31 December 2019

	2019 HK$	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value to the input
Financial assets **Financial assets at fair value through profit or loss**					
- Unlisted equity securities	330,161,271	Market approach	Price to book multiple	1.17	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$33 million or decreased by HK$33 million, respectively.
- Unlisted equity securities	274,091,603	Recent transaction price	N/A	N/A	N/A
- Unlisted redeemable convertible preference shares	423,075,134	Recent transaction price	N/A	N/A	N/A
- Unlisted investment fund	690,325,778	Market approach	Price to earnings multiple	0.93	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$69 million or decreased by HK$69 million, respectively.
- Unlisted investment fund	77,887,000	Recent transaction price	N/A	N/A	N/A
- Unlisted debt securities	35,282,811	Discount cash flow	Discount rate	12%	10% increase or decrease in the discount rate, the fair value would be decreased by HK$4 million or increased by HK$4 million, respectively
- Unlisted debt securities	330,077,941	Broker quotation	N/A	N/A	N/A

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions (continued)

As at 31 December 2019 (continued)

	2019 HK$	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value to the input
Financial assets at fair value through other comprehensive income					
- Unlisted debt securities	390,408,588	Broker quotation	N/A	N/A	N/A
Derivative financial assets					
Total return swaps	11,031,796	Broker quotation	N/A	N/A	N/A
Investments in associates at fair value through profit or loss	231,204,039	Market approach	Price to sales multiple	4.86-15	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$23 million or decreased by HK$23 million, respectively.
Financial liabilities					
Financial liabilities at fair value through profit or loss					
- Unlisted investment funds	612,955,678	Recent transaction price	N/A	N/A	N/A
- Equity return swap	667,198,496	Market approach	Price to earnings multiple	0.93	10% increase or decrease in the underlying stock price, the fair value would be increased by HK$67 million or decreased by HK$67 million, respectively.

There were no transfers between Level 1 and Level 2 in the current year and prior year.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions (continued)

As at 31 December 2018

	2018 HK$	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
Financial assets				
Financial assets at fair value through profit or loss				
- Listed equity securities	820,723,486	Quoted prices in active market with discount	N/A	N/A
- Unlisted equity securities	339,535,421	Recent transaction price	N/A	N/A
- Unlisted equity securities	352,431,000	Market comparable approach	N/A	N/A
- Unlisted redeemable convertible preference shares	621,686,782	Discounted cash flows with future cash flows that are estimated based on the contractual terms and discounted at a rate that reflects the credit risk of counterparty and the value of option	Credit risk spread Value of option	The higher the credit risk spread, the lower the fair value. The higher the value of option, the higher the fair value
- Unlisted investment fund	506,100,662	Adjusted recent transaction prices	N/A	N/A
- Unlisted debt securities	1,006,189,998	Discounted cash flows	Credit risk spread	The higher the credit risk spread, the lower the fair value

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions (continued)

As at 31 December 2018 (continued)

	2018 HK$	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
Derivative financial assets				
Interest rate swaps, currency swaps, credit default swaps and total return swaps	865,344,841	Black Scholes model. Exercise price and volatility of the underlying investment	Volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Currency options and currency variance swaps	10,959,592,963	Black Scholes model. Exercise price and volatility of the underlying investment	Volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value*
Currency variance/volatility swaps	215,417,096	Broker quotation	N/A	N/A

* The sensitivity analysis resulting from 1% change in volatility would result in an increase (decrease) in fair value by approximately HKD126 million (HKD126 million). The extent of possible change in volatility highly depends on the currency pairs and the construction of volatility surface curve.

	2018 HK$	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
Investments in associates at fair value through profit or loss	217,992,110	Recent market transactions	N/A	N/A
Financial liabilities				
Financial liabilities at fair value through profit or loss				
- Equity return swap	524,457,570	Calculated based on the fair value of the underlying equity investment	Fair value of the underlying investment	The higher the fair value of the underlying investment, the higher the fair value
Derivative financial liabilities				
Interest rate swaps, currency swaps, credit default swaps and total return swaps	843,362,363	Black Scholes model. Exercise price and volatility of the underlying investment	Volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Currency options and currency variance swaps	12,928,890,214	Black Scholes model. Exercise price and volatility of the underlying investment	Volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value#
Currency variance/volatility swaps	355,523,767	Broker quotations	N/A	N/A

The sensitivity analysis resulting from 1% change in volatility would result in an increase (decrease) in fair value by approximately HKD214 million (HKD222 million). The extent of possible change in volatility highly depends on the currency pairs and the construction of volatility surface curve.

There were no transfers between Level 1 and Level 2 in the current year and prior year.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions (continued)

As at 31 December 2018, most of the level 3 investments represented derivative contracts invested by an investment fund (the "Fund") controlled by the Group. According to the agreement between the Fund and its prime broker, the prime broker is the valuation agent of the Fund's derivative portfolio under ISDA agreement. As at 31 December 2018, there were significant differences between the valuation calculated by the valuation agent and those recorded in these financial statements for above Level 3 derivative financial instruments. The sensitivity of the significant unobservable inputs applied in calculating the fair value of derivatives relating to illiquid and/or exotic currencies indicate the existence of a material uncertainty about the settlement outcome of the derivatives. The fund manager has no access to the valuation agent's valuation model; and as such the fund manager appoints a fund administrator to perform valuation for the accounting purposes of the Fund, except for certain product types which are valued by either using an in-house model of the fund manager or adoption of quotations from the prime broker.

During the year ended 31 December 2019, the prime broker of the Fund terminated the contracts with the Fund in accordance with the ISDA agreement and served the calculation statement regarding the amount due as a result of the termination of the contracts. In June 2019, a receivership order was made by the Grand Court of the Cayman Islands in relation to the Fund. Subsequent to the appointment of the receiver, management considers that the Group has lost control of the Fund and accordingly the Fund is not consolidated by the Group. More details are disclosed in Note 44 to the financial statements

(c) Reconciliation of Level 3 fair value measurements

	Derivative financial assets HK$	Derivative financial liabilities HK$	Financial assets at fair value through profit or loss HK$	Financial asset at fair value through other comprehensive income HK$	Financial liabilities at fair value through profit or loss HK$	Investments in associates at fair value through profit or loss HK$
At 1 January 2018	5,280,190	-	1,922,937,625	-	542,058,189	66,595,340
Purchase	19,263,795,917	14,127,776,344	1,484,491,126	-	-	-
Disposals	(7,240,510,058)	-	(71,634,930)	-	-	-
Transfer in	-	-	397,836,217	-	-	-
Transfer out	(5,280,190)	-	-	-	-	-
Fair value changes	17,069,041	-	(86,962,689)	-	(17,600,619)	151,396,770
At 31 December 2018 and 1 January 2019	12,040,354,900	14,127,776,344	3,646,667,349	-	524,457,570	217,992,110
Purchase	-	-	54,520,900	-	-	-
Disposals	(12,006,314,243)	(14,127,776,344)	(965,444,490)	-	-	-
Transfer in	-	-	160,657,725	390,611,025	582,397,764	-
Transfer out	-	-	(820,723,486)	-	-	-
Fair value changes	(23,008,861)	-	85,223,540	(202,437)	173,298,840	13,211,929
At 31 December 2019	11,031,796	-	2,160,901,538	390,408,588	1,280,154,174	231,204,039

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair value of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the shareholder, 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 equity attributable to equity holders of the Company, comprising issued share capital, investment revaluation reserve, foreign currency translation reserve, general reserve and retained profits.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

Three of the subsidiaries within the Group are licensed to carry out regulated activities in Hong Kong and are regulated by the Hong Kong Securities and Futures Commission (the "SFC") and each of them is required to comply with the minimum capital requirements according to Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The management monitors, on a daily basis, each of the subsidiaries' liquid capital to ensure it meets the minimum liquid capital requirement in accordance with the SF(FR)R. There is no non-compliance with the capital requirements imposed by the SF(FR)R during both years.

In addition, one of the subsidiaries within the Group is a member of the Professional Insurance Brokers Association Limited ("PIBA") and is licensed in to carry out insurance brokerage business. The subsidiary is required to maintain a minimum net assets value of HK$100,000 at all times. The management closely monitors the regulatory capital requirements. There is no non-compliance with the regulatory capital requirements imposed by PIBA during both years.

42. DISPOSAL / LOSS OF CONTROL OF SUBSIDIARIES

GTEC Pandion Multi-Strategy Fund SP (Segregated Portfolio)
In June 2019, a receivership order was made by the Grand Court of the Cayman Islands in relation to the Fund. Subsequent to the appointment of the receiver, management considers that the Group has lost control of the Fund and accordingly the fund is not consolidated by the Group. As at the date of the loss of control of the Segregated Portfolio, the net value of the Fund has not been agreed between the fund manager and the prime broker. The cash consideration arising from losing control of the Fund was nil.

The investment gains or losses of the Fund prior to the date of deconsolidation, as well as the gain on disposal of the Fund are recorded under "Net realised losses on derivative financial instruments" in Note 6 – Other Gains and Losses to the consolidated income statement, the total amount of which is a gain of approximately USD44 million.

GTEC Neutron Equity Market Neutral Fund SP (Segregated Portfolio) and GTEC Proton Equity Fund SP (Segregated Portfolio)

During 2019, the Group disposed the funds which carried out investment trading activities by redeeming all participating shares.

	Neutron 2019 HK$	Proton 2019 HK$	Total 2019 HK$
Consideration received			
Cash received in cash and cash equivalents	30,742,938	203,539,860	234,282,798

Analysis of assets and liabilities over which control was lost

	2019 HK$	2019 HK$	2019 HK$
Current assets			
Trade receivables	81,914,069	211,585,693	293,499,762
Financial assets at fair value through profit or loss	56,753,829	-	56,753,829
Derivative financial assets	358,641	-	358,641
Other receivables, deposits and prepayments	441,740	-	441,740
Bank balances and cash	517,384	1,471,323	1,988,707
	139,985,663	213,057,016	353,042,679
Current liabilities			
Derivative financial liabilities	245,713	-	245,713
Financial liabilities at fair value through profit or loss	17,075,000	-	17,075,000
Accrued charges and other payables	513,537	426,146	939,683
	17,834,250	426,146	18,260,396
Net assets disposed of	122,151,413	212,630,870	334,782,283

	2019 HK$	2019 HK$	2019 HK$
Consideration received	30,742,938	203,539,860	234,282,798
Redemption funds holdback	1,618,049	10,712,624	12,330,673
Net assets disposed of	(122,151,413)	(212,630,870)	(334,782,283)
Third party interest in consolidated investment funds	87,887,942	-	87,887,942
Cumulative exchange gain in respect of the new assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiaries	3,208,095	(1,037,487)	2,170,608
Gain on disposal	1,305,611	584,127	1,889,738

42. DISPOSAL / LOSS OF CONTROL OF SUBSIDIARIES (CONTINUED)

Net cash inflow on disposal of subsidiaries

	Neutron 2019 HK$	Proton 2019 HK$	Total 2019 HK$
Consideration received in cash and cash equivalents	30,742,938	203,539,860	234,282,798
Less: cash and cash equivalents balances disposed of	(517,384)	(1,471,323)	(1,988,707)
	30,225,554	202,068,537	232,294,091

During 2018, the Group disposed GTEC Halo Tactical CTA Fund (Segregated Portfolio), which carried out investment trading activities by redeeming all participating shares.

	2018 HK$
Consideration received	
Cash received in cash and cash equivalents	75,099,129

Analysis of assets and liabilities over which control was lost

	2018 HK$
Current assets	
Trade receivables	8,385,549
Bank balances and cash	68,409,525
Current liabilities	
Accrued charges and other payables	(742,973)
Net assets disposed of	76,052,101

	2018 HK$
Consideration received	75,099,129
Net assets disposed of	(76,052,101)
Third party interest in consolidated investment funds	1,148,387
Cumulative exchange gain in respect of the new assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	26,505
Gain on disposal	221,920

Net cash inflow on disposal of a subsidiary

	2018 HK$
Consideration received in cash and cash equivalents	75,099,129
Less: cash and cash equivalents balances disposed of	(68,409,525)
	6,689,604

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Non-controlling interests HK$	Financial assets sold under repurchase agreements HK$	Lease liabilities HK$	Bank borrowings HK$	Notes payable HK$	Interest payable HK$
At 1 January 2019	(3,497,451)	2,036,451,473	66,303,458	7,765,893,500	382,364,140	20,416,810
Financing cash flows	-	311,908,873	(31,230,180)	(5,900,056,030)	(177,521,330)	(309,411,414)
New lease	-	-	10,722,004	-	-	-
Exchange differences	4,285	-	556	-	-	-
Loss for the year	(6,096)	-	-	-	-	-
Interest expenses	-	-	2,408,787	-	-	305,338,687
Interest paid classified as operating cash flow	-	-	(2,408,787)	-	-	-
At 31 December 2019	(3,499,262)	2,348,360,346	45,795,838	1,865,837,470	204,842,810	16,344,083

	Non-controlling interests HK$	Financial assets sold under repurchase agreements HK$	Bank borrowings HK$	Notes payable HK$	Interest payable HK$
At 1 January 2018	(3,709,434)	-	10,172,091,335	144,618,200	11,826,747
Financing cash flows	(181,224)	2,036,451,473	(2,406,197,835)	237,745,940	(455,588,615)
Exchange differences	16,044	-	-	-	-
Profit for the year	377,163	-	-	-	-
Interest expenses	-	-	-	-	464,178,678
At 31 December 2018	(3,497,451)	2,036,451,473	7,765,893,500	382,364,140	20,416,810

(b) Total cash outflow of leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 HK$
Within operating activities	2,408,787
Within investing activities	-
Within financing activities	31,230,180
	33,638,967

44. PROVISION

As mentioned in the 2018 annual report, a controlled investment fund of the Group named GTEC Pandion Multi-Strategy Fund SP (the "Fund"), which mainly invests in FX derivatives, was established in 2016 in accordance with the laws of Cayman Islands. As at 31 December 2018, GF Investments (Hong Kong) Company Limited invested in 99.90% shareholding of the Fund and the Fund was managed by and advised by the Group's wholly owned subsidiaries (the "Group's Subsidiaries").

During the current year, the prime broker of the Fund terminated the contracts with the Fund in accordance with the ISDA agreement and served the calculation statement regarding the amount due as a result of the termination of the contracts. In June 2019, a receivership order was made by the Grand Court of the Cayman Islands in relation to the Fund. Subsequent to the appointment of the receiver, management considers that the Group has lost control of the Fund and accordingly the Fund is not consolidated by the Group. The cash consideration arising from losing control of the Fund was nil. Any investment gains or losses of the Fund prior to the date of deconsolidation, as well as the gain on disposal of the Fund are recorded under "Net realised losses on derivative financial instruments" in Note 6 – Other Gains and Losses to the consolidated income statement, the total amount of which is a gain of approximately USD44 million.

In connection with the above, potential litigation may arise against the Group's Subsidiaries. The Group recognized a provision of USD58 million in these financial statements as of 31 December 2019.

45. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the financial year, the COVID-19 outbreak was declared as a pandemic by the World Health Organization in March 2020. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period, and accordingly no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19.

The outbreak of COVID-19 in early 2020 and the response of Governments in dealing with the pandemic has had significant impact on global financial markets and economic activities. The Directors will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company. Other than those disclosed above, no subsequent events have occurred that would require adjustment or disclosure and have a material effect on the financial statements as at 31 December 2019.

46. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position

	2019 HK$	2018 HK$
NON-CURRENT ASSETS		
Property and equipment	22,681,644	16,059,953
Investments in subsidiaries	4,624,024,500	4,744,024,500
Right-of-use assets	34,835,729	-
Deposits	10,461,974	10,461,174
	4,692,003,847	4,770,545,627
CURRENT ASSETS		
Subordinated loan to a subsidiary	600,000,000	600,000,000
Loans to subsidiaries	2,220,157,982	7,814,553,998
Amounts due from subsidiaries	776,173,243	414,486,061
Amount due from a fellow subsidiary	-	5,936,287
Other receivables, deposits and prepayments	2,834,121	5,348,313
Bank balances	227,629,192	52,714,970
	3,826,794,538	8,893,039,629
CURRENT LIABILITIES		
Amount due to the ultimate holding company	5,687,061	5,687,061
Amounts due to subsidiaries	-	15,051,489
Loans from subsidiaries	1,281,370,098	882,670,190
Derivative financial liabilities	-	1,798,338
Bank borrowings	584,152,500	7,335,681,700
Accrued charges and other payables	94,974,905	87,514,788
Lease liabilities	30,775,668	-
	1,996,960,232	8,328,403,566
Net current assets	1,829,834,306	564,636,063
NON-CURRENT LIABILITIES		
Bank borrowings	1,181,833,142	-
Lease liabilities	3,627,641	-
	1,185,460,783	-
NET ASSETS	5,336,377,370	5,335,181,690
CAPITAL AND RESERVES		
Share capital	5,600,000,000	5,600,000,000
Accumulated losses	(263,622,630)	(264,818,310)
TOTAL EQUITY	5,336,377,370	5,335,181,690

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 29 April 2020 and is signed on its behalf by:

....	....
Qin Li	Shen Minggao
Director	Director

46. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY (CONTINUED)

(b) Movement of reserves of the Company

	Share capital HK$	Accumulated losses HK$	Total HK$
At 1 January 2018	5,600,000,000	(218,219,488)	5,381,780,512
Loss and total comprehensive income for the year	-	(46,598,822)	(46,598,822)
At 31 December 2018 and 1 January 2019	5,600,000,000	(264,818,310)	5,335,181,690
Profit and total comprehensive income for the year	-	1,195,680	1,195,680
At 31 December 2019	5,600,000,000	(263,622,630)	5,336,377,370

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 April 2020.

APPENDIX — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: NANYANG COMMERCIAL BANK, LIMITED, A COMPANY INCORPORATED UNDER THE LAWS OF HONG KONG WITH LIMITED LIABILITY, OF 151 DES VOEUX ROAD CENTRAL, HONG KONG (SWIFT: NYCBHKHHXXX)

DATE: 15 SEPTEMBER 2021

TO BENEFICIARY: CMB WING LUNG (TRUSTEE) LIMITED (THE "TRUSTEE", WHICH EXPRESSION SHALL INCLUDE ANY SUCCESSOR OR CO-TRUSTEE AS NOTIFIED TO US IN WRITING IN ADVANCE IN RESPECT OF THE BONDS REFERRED TO BELOW) ("YOU" OR THE "BENEFICIARY") IN ITS CAPACITY AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE "BONDHOLDERS") OF THE USD300,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 1.125 PER CENT. CREDIT ENHANCED BONDS DUE 2024 (THE "BONDS"), TO BE ISSUED BY GF FINANCIAL HOLDINGS BVI LTD. (THE "BOND ISSUER") AND TO BE CONSTITUTED BY A TRUST DEED DATED 15 SEPTEMBER 2021 (THE "BOND ISSUE DATE") BETWEEN THE BOND ISSUER, GF HOLDINGS (HONG KONG) CORPORATION LIMITED AND THE TRUSTEE, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME (THE "TRUST DEED").

DEAR SIRS,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER]

AT THE REQUEST OF OUR CUSTOMER, GF HOLDINGS (HONG KONG) CORPORATION LIMITED, WE, NANYANG COMMERCIAL BANK, LIMITED (THE "ISSUING BANK", "OUR", "US" OR "WE"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE BOND ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE "CONDITIONS") AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A "DEMAND") PRESENTED BY YOU OR ON YOUR BEHALF IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (A) THE BOND ISSUER HAS FAILED TO COMPLY WITH CONDITION 3(C) (THE "PRE-FUNDING CONDITION") IN RELATION TO PRE-FUNDING FOR AN AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (B) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE TRUSTEE HAS GIVEN NOTICE TO THE BOND ISSUER IN ACCORDANCE WITH THE CONDITIONS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE BOND ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 10:00 A.M. (HONG KONG TIME) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT ON A BUSINESS DAY (AS DEFINED BELOW) ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE THE EXPIRY TIME (AS DEFINED BELOW), WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY FOLLOWING THE DATE OF OUR RECEIPT OF SUCH DEMAND (OR, IF SUCH DEMAND IS RECEIVED ON A DAY WHICH IS NOT A BUSINESS DAY OR AFTER 11:00 A.M. (HONG KONG TIME) ON A BUSINESS DAY, THE FIFTH BUSINESS DAY FOLLOWING THE DATE OF OUR RECEIPT OF SUCH DEMAND) PAY TO OR TO THE ORDER OF THE TRUSTEE THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS TO THE ACCOUNT SPECIFIED IN THE DEMAND.

"BUSINESS DAY" MEANS A DAY (OTHER THAN A SATURDAY OR A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS SIMULTANEOUSLY IN NEW YORK AND HONG KONG.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO OR TO THE ORDER OF THE TRUSTEE IS UNCONDITIONAL AND ABSOLUTE AND ANY DEMAND BY OR ON BEHALF OF THE TRUSTEE IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO THE TRUSTEE'S RIGHTS TO MAKE SUCH DEMAND.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED USD302,687,500 (THE "MAXIMUM LIMIT"), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD IN ACCORDANCE WITH THE CONDITIONS AND (II) USD1,000,000 FOR ALL FEES, COSTS, INDEMNITY PAYMENTS EXPENSES AND OTHER AMOUNTS PAYABLE BY THE BOND ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE KEEPWELL DEED (AS DEFINED IN THE TRUST DEED) AND/OR THE AGENCY AGREEMENT (AS DEFINED IN THE TRUST DEED) AND /OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE BOND ISSUE DATE AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:00 P.M. (HONG KONG TIME) ON 15 OCTOBER 2024 (THE "EXPIRY TIME") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BECOME NULL AND VOID FOLLOWING SUCH EXPIRY TIME WHETHER THE ORIGINAL STANDBY LETTER OF CREDIT HAS BEEN RETURNED TO US OR NOT.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT WHICH IS PRESENTED ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE THE EXPIRY TIME.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF THE TRUSTEE TO US AT SWIFT: NYCBHKHHXXX WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, THE DEMAND MAY INSTEAD BE PRESENTED BY OR ON BEHALF OF THE TRUSTEE TO US VIA FACSIMILE TRANSMISSION AT +852 2851 1898 ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE THE EXPIRY TIME. NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED. A FACSIMILE DEMAND FROM OR ON BEHALF OF THE TRUSTEE PURSUANT TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BE PROCESSED UPON RECEIPT OF THE DEMAND BY US AND SHALL BE ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, AND WE WILL PERFORM A CALLBACK CONFIRMATION WITH THE TRUSTEE.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE BOND ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE TRUSTEE.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING FOR OR ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY OR ON BEHALF OF THE TRUSTEE OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED BY LAW.

THE TRUSTEE'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE BONDS SUBJECT ONLY TO US HAVING RECEIVED AT LEAST 15 DAYS' PRIOR WRITTEN NOTICE FROM OR ON BEHALF OF THE TRUSTEE BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION TO US. THE NOTIFICATION OF TRANSFER OR RE-TRANSFER SHALL SPECIFY THE TRANSFEREE OR RE-TRANSFEREE AND THE EFFECTIVE DATE OF SUCH TRANSFER OR RE-TRANSFER.

WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED FOR ANY REASON ON A BUSINESS DAY WHEN THE TRUSTEE WISHES TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND AS DESCRIBED ABOVE FROM THE DATE OF THE RESUMPTION OF OUR BUSINESS; PROVIDED THAT IF WE ARE CLOSED BECAUSE OF SUCH UNEXPECTED EVENT AT THE EXPIRY TIME, THEN THE AVAILABILITY OF THIS LETTER OF CREDIT SHALL AUTOMATICALLY EXTEND TO THE DATE THAT IS THREE BUSINESS DAYS AFTER THE DATE WE PROVIDE WRITTEN NOTICE TO YOU BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION TO YOU AT +852 2810 7607 OF THE RESUMPTION OF OUR BUSINESS AND UPON SUCH EXTENSION YOU MAY PRESENT YOUR DEMAND HEREUNDER.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND THE TRUSTEE SHALL BE CONDITIONAL UPON NO PAYMENT TO OR TO THE ORDER OF THE TRUSTEE BY THE BOND ISSUER OR ANY OTHER PERSON ON THE BOND ISSUER'S BEHALF ON OR BEFORE THE EXPIRY TIME BEING AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, THE TRUSTEE SHALL BE ENTITLED TO RECOVER FROM US SUBSEQUENTLY THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT THAT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("UCP600").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, SHALL BE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. NO PERSON SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREE (1) THAT THE COURTS OF HONG KONG HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE (A "DISPUTE") ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT), AND (2) THAT THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT.

APPENDIX A-1 — FORM OF DEMAND

TO: NANYANG COMMERCIAL BANK, LIMITED (SWIFT: NYCBHKHHXXX),151 DES VOEUX ROAD CENTRAL, HONG KONG

[DATE]

DEAR SIRS

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE USD300,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 1.125 PER CENT. CREDIT ENHANCED BONDS DUE 2024 (THE "BONDS") ISSUED BY GF FINANCIAL HOLDINGS BVI LTD. (THE "BOND ISSUER")

THE UNDERSIGNED IS A DULY AUTHORISED REPRESENTATIVE OF CMB WING LUNG (TRUSTEE) LIMITED AS TRUSTEE WHICH IS HEREBY MAKING A DEMAND UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] (THE "IRREVOCABLE STANDBY LETTER OF CREDIT"). CAPITALISED TERMS USED HEREIN BUT NOT DEFINED SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE IRREVOCABLE STANDBY LETTER OF CREDIT.

1 THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING:

[ ] THE BOND ISSUER HAS FAILED TO COMPLY WITH THE PRE-FUNDING CONDITION IN RELATION TO THE PRE-FUNDING FOR AN AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION.

[ ] AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE TRUSTEE HAS GIVEN NOTICE TO THE BOND ISSUER IN ACCORDANCE WITH THE CONDITIONS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

2 WE HEREBY DEMAND YOU TO PAY: USD[AMOUNT] REPRESENTING (A) USD[AMOUNT] OF PRINCIPAL DUE IN RESPECT OF THE OUTSTANDING BONDS, (B) USD[AMOUNT] ACCRUED AND UNPAID INTEREST UP TO [DATE] AS A RESULT OF THE BONDS HAVING BECOME IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS DUE TO [A PRE-FUNDING FAILURE/AN EVENT OF DEFAULT] AND (C) USD[AMOUNT] OF THE FEES, COSTS, EXPENSES AND OTHER AMOUNTS PAYABLE BY THE BOND ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE KEEPWELL DEED (AS DEFINED IN THE TRUST DEED) AND/OR THE AGENCY AGREEMENT (AS DEFINED IN THE TRUST DEED) WHICH IS DUE AND HAS NOT BEEN PAID FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE BOND ISSUER.

3 WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNT AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4 THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT: [INSERT ACCOUNT DETAILS]

BY OR ON BEHALF OF

CMB WING LUNG (TRUSTEE) LIMITED AS TRUSTEE

BY: ____________________________

NAME:

TITLE:

ISSUER

GF FINANCIAL HOLDINGS BVI LTD.
Commerce House, Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands VG1110

COMPANY

GF HOLDINGS (HONG KONG) CORPORATION LIMITED
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

TRUSTEE

CMB Wing Lung (Trustee) Limited
CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

PRINCIPAL PAYING AGENT, TRANSFER AGENT, PRE-FUNDING ACCOUNT BANK AND LC PROCEEDS ACCOUNT BANK

CMB Wing Lung Bank Limited
CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

REGISTRAR

CMB Wing Lung Bank Limited
CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

LEGAL ADVISERS

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To the Joint Lead Managers as to PRC law

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To the Trustee as to English law

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AUDITOR OF THE COMPANY

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Certified Public Accountants
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