

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) PURCHASING THE SECURITIES OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.**

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

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

Unless an amendment or supplement to the attached Offering Circular for issuance of Instruments under the Programme in reliance of Rule 144A is made available by the Issuer (as defined below), and the Guarantor (as defined below), the Instruments are being offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S.

**MIFID II product governance/target market** — The Pricing Supplement in respect of any Instruments will include a legend entitled "**MiFID II Product Governance**" which will outline the target market in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

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

**Restrictions:** The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either Sinochem Offshore Capital Company Limited (the "**Issuer**"), Sinochem Hong Kong (Group) Company Limited (the "**Guarantor**"), Standard Chartered Bank, Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., Australia and New Zealand Banking Group Limited, Merrill Lynch (Asia Pacific) Limited, J.P. Morgan Securities plc, UBS AG Hong Kong Branch, Bank of China Limited or Industrial and Commercial Bank of China (Asia) Limited (the "**Arrangers and Dealers**") to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

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

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

**THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED.**

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Issuer, the Guarantor, the Arrangers, the Dealers nor any of their respective employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

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

**Confirmation of Your Representation:** You have accessed the attached Offering Circular on the basis that you have confirmed your representation that (1) you and any customers you represent are addressees who are non-U.S. persons purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act and that the e-mail address that you gave us and to which this e-mail has been delivered is not accessed from in the United States the United States, (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by e-mail and (3) that you agree to the foregoing terms and conditions.

US\$10,000,000,000

**SINOCHEM OFFSHORE CAPITAL COMPANY LIMITED***(incorporated in the British Virgin Islands with limited liability)***Medium Term Note and Perpetual Securities Programme**

unconditionally and irrevocably guaranteed by

**中化香港（集團）有限公司****SINOCHEM HONG KONG (GROUP) CO., LTD.****SINOCHEM HONG KONG (GROUP) COMPANY LIMITED***(incorporated in Hong Kong with limited liability)*

This Offering Circular supersedes any previous Offering Circular issued in respect of the Programme (as defined below). Any Instruments (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This Offering Circular does not affect any Instruments already in issue.

Under this US\$10,000,000,000 Medium Term Note and Perpetual Securities Programme (the “Programme”), Sinochem Offshore Capital Company Limited (the “Issuer”) may from time to time issue medium term notes (the “Notes”) and subordinated perpetual securities (the “Securities”) and together with the Notes, the “Instruments”) subject to compliance with all relevant laws, regulations and directives. The aggregate nominal amount of the Instruments outstanding will not at any time exceed US\$10,000,000,000 (or the equivalent in other currencies). The Instruments will be constituted by a trust deed to be dated 18 September 2020 (the “Trust Deed”) made between the Issuer, the Guarantor and the Trustee (as defined herein). The Notes issued by the Issuer under the Programme will be guaranteed by Sinochem Hong Kong (Group) Company Limited (the “Guarantor” or the “Company”) (the “Guarantee of the Notes”). The Securities issued by the Issuer under the Programme will be guaranteed by the Guarantor on a subordinated basis (the “Guarantee of the Securities”), and together with the Guarantee of the Notes, the “Guarantee”). For more information on the status of the Instruments and the Guarantee, see Note Condition 4 (*Status of the Notes and the Guarantee of the Notes*) and Security Condition 4 (*Status of the Securities and the Guarantee of the Securities*).

An investment in the Instruments under the Programme involves certain risks. For a discussion of these risks, see “Risk Factors” on page 30 in this Offering Circular.

Application has been made to The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, “Professional Investors”) only during the 12-month period from the date of this document on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only. Investors should not purchase the Instruments in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Instruments are only suitable for Professional Investors.

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

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

Unlisted Instruments may also be issued pursuant to the Programme. The applicable Pricing Supplement (as defined on page 13) in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Hong Kong Stock Exchange (or any other stock exchange).

Each Series of Notes in bearer form (“Bearer Notes”) will be represented on issue by a temporary global note (each a “Temporary Global Note”) or a permanent global note (each a “Permanent Global Note”) and, together with the Temporary Global Notes, the “Global Notes”) and will be sold in an “offshore transaction” within the meaning of Regulation S (“Regulation S”) under the United States Securities Act of 1933 (the “Securities Act”). Interests in Temporary Global Notes generally will be exchangeable for interests in a Permanent Global Note, or if so stated in the relevant Pricing Supplement, definitive Notes (“Definitive Notes”), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Series, upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under “Forms of the Instruments”.

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

Where applicable for a relevant Tranche of Instruments, the Instruments will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Guarantor pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發外資[2015]2044號)) issued by the National Development and Reform Commission (the “NDRC”) which came into effect on 14 September 2015 (the “NDRC Circular”), the Registration Certificate of Enterprise Foreign Debt (企業借用外債備案登記證明) and other applicable implementation rules or policies thereof as issued by the NDRC from time to time. Alternatively, a separate pre-issue registration of a particular Tranche of Instruments may be completed by the Issuer or the Guarantor as set forth in the relevant Pricing Supplement. After the issuance of such relevant Tranche of Instruments, the Issuer and the Guarantor intend to provide the requisite information on the issuance of such Instruments to the NDRC within the time period as required by the NDRC.

The Instruments and the Guarantee have not been and will not be registered under the Securities Act, or the securities laws of any other place. Accordingly, the Instruments may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Unless an amendment or supplement to this Offering Circular for the issuance of Instruments under the Programme in reliance of Rule 144A is made available by the Issuer and the Company, the Instruments may be offered and sold only to non-U.S. persons in offshore transactions in reliance on Regulation S and in accordance with any other applicable law. Bearer Notes are subject to U.S. tax law requirements and, subject to certain exceptions, may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, U.S. persons. For a description of these and certain further restrictions on offers, sales and transfers of Instruments and distribution of this Offering Circular see “Subscription and Sale” and “Transfer Restrictions”.

The Instruments of each Series to be issued in registered form (“Registered Instruments”) and which are sold in an “offshore transaction” within the meaning of Regulation S (“Unrestricted Registered Instruments”) will be represented by a permanent registered global note certificate (each an “Unrestricted Global Certificate”) without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream”), with a common depositary on behalf of Euroclear and Clearstream, (b) in the case of a Series intended to be cleared through the Central Moneymarkets Unit Service (the “CMU Service”), operated by the Hong Kong Monetary Authority (the “HKMA”), with a sub-custodian for the CMU Service, (c) in the case of a Series intended to be cleared through The Depository Trust Company (“DTC”), registered in the name of Cede & Co. or such entity as is specified in the applicable Pricing Supplement as nominee for DTC and (d) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, DTC and/or the CMU Service, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. Registered Instruments which are sold in the United States to “qualified institutional buyers” (each, a “QIB”) within the meaning of Rule 144A (“Rule 144A”) under the Securities Act (“Restricted Registered Instruments”) will be represented by a permanent registered global note certificate (each a “Restricted Global Certificate”) and, together with the relevant Unrestricted Global Certificate, the “Global Certificates”), without interest coupons, which may be deposited on the relevant issue date with a custodian (the “DTC Custodian”) for, and registered in the name of Cede & Co. or such entity as is specified in the applicable Pricing Supplement as nominee for, DTC. The provisions governing the exchange of interests in Global Notes for other Global Notes and Definitive Notes are described in “Forms of the Instruments”.

**MIFID II product governance/target market** — The Pricing Supplement in respect of any Instruments will include a legend entitled “MiFID II Product Governance” which will outline the target market in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

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

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

Beneficial interests in Global Notes or Global Certificates held in book-entry form through Euroclear or Clearstream or the CMU Service, if applicable, will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream or the CMU Service, as the case may be. Beneficial interests in Global Certificates held through DTC will be shown on, and transfers thereof will be effected only through, records maintained by DTC. Certain provisions governing restrictions on transfer of Instruments are described in “Transfer Restrictions”.

In relation to any Tranche, the aggregate nominal amount of the Instruments, the interest (if any) payable in respect of the Instruments of such Tranche, the issue price and any other terms and conditions not contained herein which are applicable to such Tranche will be set out in an applicable Pricing Supplement.

Instruments issued under the Programme may be rated or unrated. When an issue of Instruments is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, downgrade or withdrawal at any time by the assigning rating agency.

*Arrangers for the Programme***Standard Chartered Bank****Citigroup****HSBC***Dealers for the Programme***Standard Chartered Bank****Citigroup****HSBC****Crédit Agricole CIB****DBS Bank Ltd.****ANZ****BofA Securities****J.P. Morgan****UBS****Bank of China****ICBC (Asia)****18 September 2020**

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## IMPORTANT NOTICE

The Company (as to itself, the Issuer and the Sinochem Hong Kong Group as defined below) and the Issuer (as to itself), having made all reasonable enquiries, confirm that this Offering Circular contains all information with respect to (i) the Company, (ii) the Issuer and (iii) the Company together with its subsidiaries (the “**Group**”) and the Instruments or the Guarantee that is material in the context of the issue and offering of the Instruments, the statements contained in it relating to the Company, the Issuer and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company, the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Issuer, the Group or the Instruments or the Guarantee the omission of which would, in the context of the issue and offering of the Instruments or the Guarantee, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company and the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

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

The distribution of this Offering Circular and the offering or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company, the Issuer, the Arrangers, the Dealers, the Trustee and the Agents to inform themselves about and to observe any such restriction.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Issuer, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for, or purchase, any Instruments.

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

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement in connection with the Issuer, the Company, the Group, the Guarantee or issue and offering of the Instruments made or purported to be made by any of the Arrangers or Dealers or on its behalf. Each of the Arrangers, the Dealers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other

information provided in connection with the Programme is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Issuer, the Arrangers, the Dealers, the Trustee or the Agents that any recipient, of this Offering Circular or of any such information, should purchase the Instruments. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers, the Trustee or the Agents undertakes to review the financial condition or affairs of the Company or the Issuer during the life of the arrangements contemplated by this Offering Circular or to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee or the Agents.

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

#### **U.S. INFORMATION**

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**THE INSTRUMENTS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UP ON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

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

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

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

#### **AVAILABLE INFORMATION**

The Company and the Issuer have agreed that, for so long as any Instruments are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, each of them will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

#### **ENFORCEABILITY OF JUDGMENTS**

The Company and the Issuer are corporations organised under the laws of Hong Kong and the British Virgin Islands, respectively. All of the directors of each of the Company and the Issuer are not residents in the United States, and all or a substantial portion of their assets and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company and the Issuer or such persons or to enforce against

any of them in the United States courts judgments obtained in the United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

The Company has also been advised by Tian Yuan Law Firm, the Arrangers' legal advisor, that it is uncertain whether the courts of the PRC would (i) enforce judgments of U.S. courts obtained against the Company, the Issuer or their respective directors and officers predicated upon the civil liability provisions of the U.S. federal or state securities laws, or (ii) entertain original actions brought in the PRC against the Company, the Issuer or such persons predicated upon the U.S. federal or state securities laws. Tian Yuan Law Firm has further advised the Company that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against the Company, the Issuer or their directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

This Offering Circular should be read and construed in conjunction with each applicable Pricing Supplement, the most recently published audited annual financial statements and any reviewed interim financial statements published subsequently to such annual financial statements, of the Company from time to time (if any), in each case with the report of the auditors in connection therewith (if any), and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available for inspection during normal business hours on any weekday (excluding Saturdays and public holidays) upon prior written notice and satisfactory proof of holding at the specified offices of the Principal Paying Agent set out at the end of this Offering Circular.

As at the date of this Offering Circular, the Issuer has not published and does not propose to publish any financial statements. The Company has produced annual audited consolidated financial statements for its financial year ended 31 December 2019 and unaudited and reviewed interim consolidated financial statements as at and for the six months ended 30 June 2020, which are included in this Offering Circular. The financial statements of the Company have been prepared in conformity with HKFRS (as defined below) issued by the Hong Kong Institute of Certified Public Accountants.

## CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, references to:

- **“China Jinmao”** are to China Jinmao Holdings Group Limited, formerly known as Franshion Properties (China) Limited, a limited liability company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange with stock code 00817, of which 35.15% of its equity interest is owned by the Company as at 31 August 2020;
- the **“Company”** or the **“Guarantor”** are to Sinochem Hong Kong (Group) Company Limited and, as the context requires, its subsidiaries;
- **“COSCO”** are to China Ocean Shipping Corporation Limited (previously known as China Ocean Shipping (Group) Company), a PRC state-owned enterprise;
- **“euro”** or **“€”** are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time;
- **“HK\$”** and **“HK dollars”** are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region;
- **“HKFRS”** are to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
- the **“Issuer”** are to Sinochem Offshore Capital Company Limited, a wholly owned subsidiary of the Company;
- **“Jinmao”** are to Jinmao (China) Hotel Investments and Management Limited, a limited liability incorporated in the Cayman Islands with share stapled units listed on the Hong Kong Stock Exchange with stock code 06139, of which 66.77% of its equity interest is owned by China Jinmao as at 30 June 2020;
- **“Jin Mao Group”** are to China Jin Mao (Group) Co., Ltd., a company established under the laws of the PRC in 1995 and a wholly-owned subsidiary of Jinmao;
- the **“PRC”** or **“China”** are to the People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- **“RMB”** or **“Renminbi”** are to the Renminbi, the official currency of the PRC;
- **“S\$”** are to the lawful currency of Singapore;
- **“Sinochem Corporation”** are to Sinochem Corporation Co., Ltd., a joint stock limited liability company formed in 2009, of which 100% of its equity interest is beneficially owned by Sinochem Group (as defined below) as at the date of this Offering Circular;
- **“Sinochem Group”** are to Sinochem Group Co., Ltd., a PRC wholly state-owned enterprise and the ultimate parent of the Company;
- **“Sinofert”** are to Sinofert Holdings Limited, an exempted company incorporated in Bermuda and listed on the Hong Kong Stock Exchange with stock code 00297, of which 52.65% of its equity interest is owned by the Company as at 31 December 2019. The Company does not own any equity interest of Sinofert as at the date of this Offering Circular. For further



information, see “Recent Developments — Disposal of the Fertiliser Segment and Chemical Products Trading Business” and Note 10 to the Company’s consolidated financial statements as at and for the year ended 31 December 2019 and Note 9 to the Company’s interim consolidated financial statements as at and for the six months ended 30 June 2020 which are included elsewhere in this Offering Circular;

- “sq.m.” are to square metres;
- “sterling” or “£” are to the lawful currency of the United Kingdom;
- “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America;
- “U.S. GAAP” are to U.S. generally accepted accounting principles; and
- “yen” are to the lawful currency of Japan.

Solely for your convenience, this Offering Circular contains translations of certain Hong Kong dollar amounts into U.S. dollar amounts, Renminbi amounts into Hong Kong dollar amounts and Renminbi amounts into U.S. dollar amounts at specified rates.

Certain of the Company’s 2019 financial data have been converted to U.S. dollar amounts at the exchange rates of HK\$7.7894 to US\$1.00 and RMB6.9618 to US\$1.00 and certain of the Company’s 2020 financial data have been converted to U.S. dollar amounts at the exchange rates of HK\$7.7501 to US\$1.00 and RMB7.0651 to US\$1.00, which are the exchange rates set out in the weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the “**Federal Reserve Board**”) on 31 December 2019 and 30 June 2020, respectively.

Certain of the Company’s 2019 financial data have been converted to Hong Kong dollar amounts at the exchange rate of RMB0.8958 to HK\$1.00 and certain of the Company’s 2020 financial data have been converted to Hong Kong dollar amounts at the exchange rate of RMB0.9134 to HK\$1.00, which are the median rate set by the People’s Bank of China, the central bank of the PRC (the “**PBOC**”), for foreign exchange transactions prevailing on 31 December 2019 and 30 June 2020, respectively.

Sinochem Group’s revenue in 2019 has been converted to U.S. dollar amounts at the rate of RMB6.9197 to US\$1.00, which is the average of the median rates set by the PBOC for foreign exchange transactions prevailing on 1 January 2019 and 31 December 2019. Sinochem Group’s total assets in 2019 has been converted to U.S. dollar amounts at the rate of RMB6.9762 to US\$1.00, the median rate set by the PBOC, for foreign exchange transactions prevailing on 31 December 2019.

Further information on exchange rates is set forth in “Exchange Rate Information”. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any U.S. dollar or HK dollar amounts, as the case may be, or any HK dollar amounts could be converted into any U.S. dollar amounts, at the rates indicated or at all.

## PRESENTATION OF FINANCIAL AND OTHER DATA

### Financial Data

The Company's consolidated statement of financial position information as at 31 December 2018 and 2019 and consolidated statement of comprehensive income information for each of the years then ended have been extracted from the consolidated financial statements for the year ended 31 December 2019 audited by KPMG and included elsewhere in this Offering Circular. The Company's interim consolidated statement of financial position information as at 30 June 2020 and interim consolidated statement of comprehensive income information for the six months ended 30 June 2020 have been extracted from the interim consolidated financial statements for the six months ended 30 June 2020 unaudited and reviewed by KPMG and included elsewhere in this Offering Circular. The Company prepares its consolidated financial statements and its interim consolidated financial statements in accordance with HKFRS.

Certain limited summary financial information of Sinochem Group set forth in this Offering Circular has been extracted from consolidated financial statements audited by Baker Tilly China Certified Public Accountants, a PRC certified public accounting firm. Such financial information has been prepared in accordance with PRC Accounting Standards and Accounting Regulations for Business Enterprises promulgated by the PRC Ministry of Finance (the "MOF") on 15 February 2006, and its supplementary regulations ("PRC GAAP"). PRC GAAP differs in significant and material respects from HKFRS and U.S. GAAP.

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

### FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular are not historical facts and are "**forward-looking statements**" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This Offering Circular may contain words such as "**believe**", "**could**", "**may**", "**will**", "**target**", "**estimate**", "**project**", "**predict**", "**forecast**", "**guideline**", "**should**", "**plan**", "**expect**", "**anticipate**" and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Particularly, statements under the sections entitled "Summary" and "Business" relating to the following matters may include forward-looking statements:

- the anticipated demand for real property and related capital expenditures and investments;
- projections of capital expenditures in general and other financial items;
- generation of future receivables;
- expected sales to customers and price levels; and
- environmental compliance and remediation.

Such statements are subject to various risks and uncertainties, including, but not limited to:

- changes in global economic and social conditions;
- changes in the world political situation;

- the implications of the COVID-19 pandemic (“**COVID-19**”) or an outbreak of other pandemics or epidemics;
- changes in economic and political conditions and increases in regulatory burdens in the PRC, Hong Kong and other countries in which the Company or any of its significant subsidiaries operates, transacts business or has interests;
- accidents and natural disasters;
- changes in import controls or import duties, levies or taxes, either in international markets or in the PRC;
- changes in laws, regulations, taxation or accounting standards or practices;
- changes in prices or demand for products or raw materials produced or used by the Company or its subsidiaries or affiliates, both in the PRC and in international markets, as a result of competitive actions or economic factors, such as inflation or exchange rate fluctuations;
- the risks of increased costs and the uncertainty of technological change;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- acquisitions or divestitures; and
- other factors, including those discussed in “**Risk Factors**”.

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity, performance or profit levels might not be fully realised. Although the Company believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, you are cautioned not to place undue reliance on the forward-looking statements and neither the Issuer nor the Company undertakes any obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

## SUMMARY

*This summary highlights certain information contained in this Offering Circular. This summary does not contain all the information that you should consider before investing. You should carefully read this Offering Circular in its entirety, including the sections entitled “Forward-looking Statements”, “Risk Factors” and “Business”, as well as the financial statements and notes thereto included elsewhere in this Offering Circular.*

The Company is the flagship overseas holding subsidiary of Sinochem Group and the primary overseas platform for executing Sinochem Group’s business strategy. Sinochem Group is a PRC state-owned enterprise (“**SOE**”) under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of China (the “**SASAC**”). Founded in 1950, Sinochem Group was the first state-owned import and export company in China, and has historically focused on the import, export and international trading of petroleum, agricultural and chemical products. In recent years, leveraging its long history of trading businesses, Sinochem Group has expanded into both upstream production and other downstream activities in each of the oil and gas and chemical businesses, and has also diversified its businesses into real estate, hotel operations and financial services, transforming itself from a trading company into a multi-industry conglomerate. Sinochem Group is one of China’s key SOEs and has been named in the “Fortune Global 500” 25 times and was ranked 109th in 2020.

The Company has been an integral part of Sinochem Group’s transformation and expansion since commencing operations in Hong Kong in 1994. Over the years, its assets and businesses have continued to grow through reorganisations, asset injections and acquisitions by Sinochem Group. The Company accounted for approximately 66.8% and 75.3% of Sinochem Group’s total assets as at 31 December 2018 and 2019, respectively, and 11.0% and 7.9% of Sinochem Group’s revenue for the year ended 31 December 2018 and 2019, respectively, according to Sinochem Group’s audited consolidated financial statements prepared in accordance with PRC GAAP and the Company’s audited consolidated financial statements prepared in accordance with HKFRS. In 2019 and 2020, the Company reorganised its corporate structure and as a result, as at the date of the Offering Circular, it has disposed of its fertiliser business and chemical products trading business. See “— Recent Developments”.

In 2018, 2019 and the six months ended 30 June 2020, the Company’s business consisted of three segments:

- *Fertiliser.* Through Sinofert, one of its Hong Kong Stock Exchange-listed subsidiaries, the Company engaged in the production, import, export, distribution, wholesale and retail sale of fertiliser-related products, services and raw materials, as well as research and development of new fertiliser production technologies and products. Sinofert has, through its controlling or participating interests, a full range of production capabilities, including nitrogen-based, phosphate-based, potash-based and compound fertilisers, and owns over 40,000 sales points across China as at 30 June 2020.

For the years ended 31 December 2018 and 2019, revenue from the Company’s fertiliser segment amounted to HK\$27.2 billion and HK\$26.1 billion, respectively, representing 35.6% and 34.5%, respectively, of its revenue. Since 17 June 2020, the Company has ceased all of its fertiliser business.

- *Real Estate.* The Company’s real estate businesses are property development and hotel operations, which are conducted by China Jinmao and Jinmao, respectively.

China Jinmao, one of the Company's Hong Kong Stock Exchange-listed subsidiaries, is a leading developer and operator of large-scale and high-grade commercial properties and upscale residential properties at prime locations in major cities and popular vacation destinations in China. China Jinmao owns, has developed or is developing a number of projects in, among other locations, Beijing, Shanghai, Tianjin, Chongqing, Shenzhen, Zhuhai (Guangdong Province), Sanya (Hainan Province), Qingdao, Jinan (Shandong Province), Changsha, Zhuzhou (Hunan Province), Suzhou, Changzhou, Nantong, Wuxi, Xuzhou, Nanjing, Changshu (Jiangsu Province), Kunming and Lijiang (Yunnan Province), Kaifeng, Wuhan (Hubei Province), Chengdu (Sichuan Province), Dongguan, Huzhou, Jiaxing, Taizhou, Wenzhou, Shaoxing, Hangzhou, Ningbo (Zhejiang Province), Fuzhou, Xiamen, Quanzhou (Fujian Province), Nanchang (Jiangxi Province), Hefei (Anhui Province), Xi'an (Shaanxi Province), Zhengzhou (Henan Province), Yantai, Yueyang, Taiyuan, Weihai, Weifang, Jinhuan, Shantou, Zhangjiakou, Baoding, Guangzhou, Foshan and Guiyang (Guangxi Province), which include notable projects such as the Beijing Chemsunny World Trade Centre and the Nanjing International Centre.

Jinmao, one of the Company's Hong Kong Stock Exchange-listed subsidiaries, is a fixed single investment trust in Hong Kong with a focus on the hospitality industry in the PRC. Jinmao primarily owns and invests in a portfolio of hotels located in prime, strategic locations in top tier cities or tourist hot spots in the PRC such as Beijing, Shanghai, Chongming, Lijiang, Shenzhen and Sanya, which includes the Westin Beijing Chaoyang, the Ritz Carlton Sanya and Grand Hyatt Shanghai. The Company also owns the Jin Mao Tower (a mixed-use development), one of the landmark buildings in the PRC located in the heart of the Lujiazui Financial and Trade Zone, the key financial centre in Shanghai.

Sinochem Group is one of the SOEs approved by SASAC to principally engage in property development and hotel operations.

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue from the Company's real estate segment amounted to HK\$45.8 billion, HK\$49.3 billion, HK\$16.9 billion and HK\$13.4 billion, respectively, representing 60.0%, 65.1%, 99.0% and 98.9%, respectively, of its revenue.

- *Others.* The Company is engaged in other business segments including chemical products trading and securities investment. Since 30 December 2019, the Company has ceased all of its chemical products trading business.

For the years ended 31 December 2018, 2019 and the six months ended 30 June 2019 and 2020, revenue from the Company's other business segments, including both continuing operations and discontinued operations, amounted to HK\$5.2 billion, HK\$2.0 billion, HK\$0.9 billion and HK\$0.3 billion, respectively, representing 6.8%, 2.5%, 5.4% and 2.0%, respectively, of its total revenue.



The following table sets forth the Company's revenue by business segment for the periods indicated:

	For the years ended 31 December				For the six months ended 30 June			
	2018		2019		2019		2020	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
	(audited)				(unaudited)			
Real Estate . . . . .	45,805	60.0	49,261	65.1	16,941	99.0	13,351	98.9
Fertiliser <sup>(1)</sup> . . . . .	27,195	35.6	26,077	34.5	—	—	—	—
Others (including both continuing operations and discontinued operations) <sup>(1)</sup>	5,224	6.8	1,959	2.6	929	5.4	270	2.0
Inter-segment revenue <sup>(2)</sup> . . . .	(1,938)	(2.5)	(1,605)	(2.1)	(756)	(4.4)	(121)	(0.9)
Total <sup>(3)</sup> . . . . .	<u>76,287</u>	<u>100.0</u>	<u>75,692</u>	<u>100.0</u>	<u>17,114</u>	<u>100.0</u>	<u>13,500</u>	<u>100.0</u>

(1) The Company completed the transfer of its equity interest in Sinofert on 17 June 2020 and its chemical products trading business in the others segment on 30 December 2019. Revenue from chemical products trading business was HK\$2,760 million and HK\$2 million for the years ended 31 December 2018 and 2019, respectively. For further information, see “Recent Developments — Disposal of the Fertiliser Segment and Chemical Products Trading Business”, Note 10 to the Company's consolidated financial statements as at and for the year ended 31 December 2019 and Note 9 to the Company's interim consolidated financial statements as at and for the six months ended 30 June 2020.

(2) All intra-company transactions, balances, income and expenses are eliminated on consolidation.

(3) Casting differences may be incurred as each figure of the line item displayed in the consolidated financial statement was rounded directly.

The Company's businesses are conducted through a network of offices around the globe, with its principal office located in Hong Kong.

## Sinochem Group

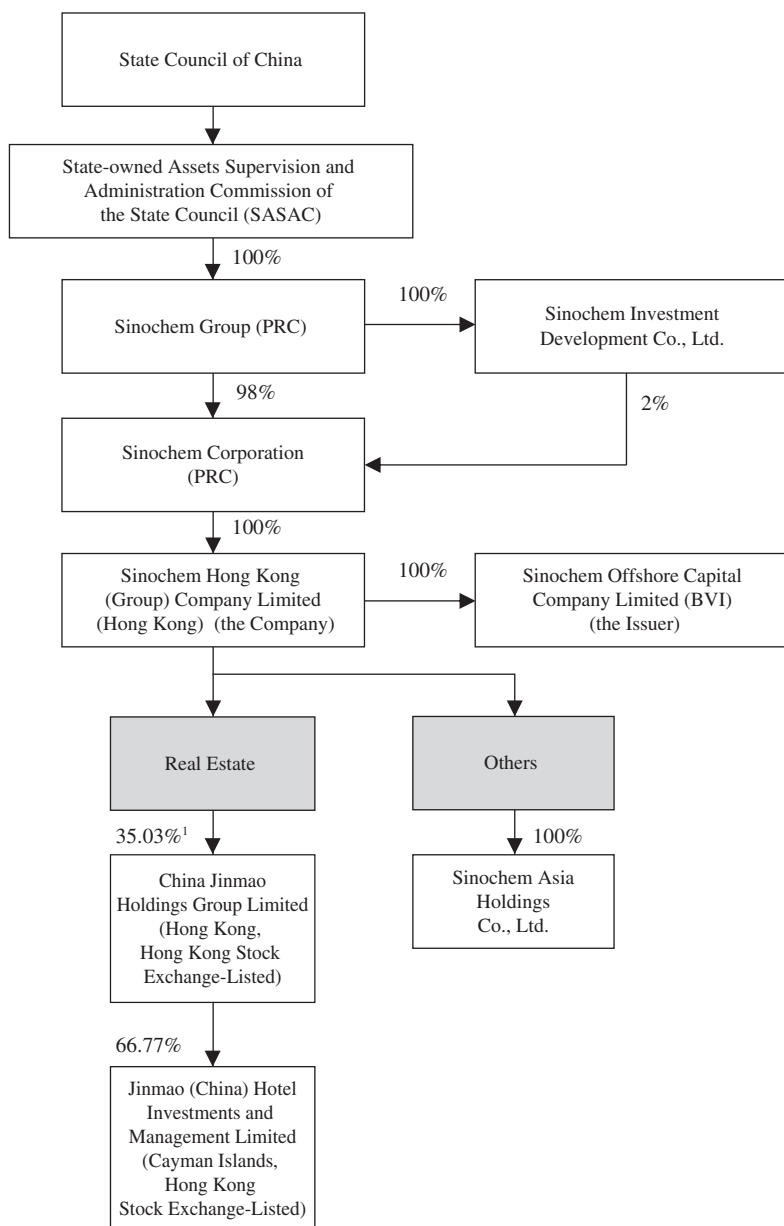
Sinochem Group is one of the key SOEs under the supervision of the SASAC. It is a multi-industry conglomerate with businesses in energy, chemicals, real estate, hotel operations and financial services. Sinochem Group had RMB490 billion and RMB549 billion (US\$79 billion) in total assets as at 31 December 2018 and 2019, respectively, and RMB591 billion and RMB555 billion (US\$80 billion) in revenue for the year ended 31 December 2018 and 2019, respectively, according to Sinochem Group's audited consolidated financial statements prepared in accordance with PRC GAAP. The Company believes that the Sinochem Group was one of the largest chemical service providers and one of the largest real estate companies in China as at 31 December 2019. See “History and Structure of Sinochem Group and the Company” and “Sinochem Group”.

## Issuer

The Issuer is a wholly owned subsidiary of the Company and was incorporated with limited liability on 4 January 2011 in the British Virgin Islands under the BVI Business Companies Act, 2004. The Issuer has no material assets and will not conduct any business, except in connection with the issuance of the Notes and the advancement of net proceeds from the issuance to the Company. The registered address of the Issuer is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

## Corporate Structure

The following chart sets forth the shareholding and group structure of the Company and includes only the major subsidiaries of the Company as at 30 June 2020.



Note:

1. The Company owned approximately 35.15% of the equity interest of China Jinmao as at 31 August 2020, the change in ownership is due to certain placing and subscription transactions. For further information, see “Recent Developments — Placing of Existing Shares and Subscription of New Shares of China Jinmao.”

## **Competitive Strengths**

The Company believes that the following factors contribute to its strong competitive position:

- Market leadership in China's strategic industries;
- Diversified and vertically integrated business portfolio with sustainable growth potential;
- Strong support from its parent, Sinochem Group, one of China's key SOEs under direct supervision of the SASAC;
- Practical and effective internal risk and financial management to support prudent business operation and expansion;
- Established and trusted Sinochem brand;
- Experienced and respected management team; and
- Strong, long-term relationships with major global players.

## **Strategy**

Sinochem Group aims to strengthen its market leadership position in each of its major business segments and increase its global competitiveness. As an integral part of this overall goal, the Company aims to achieve significant growth by employing the following strategies:

### ***Property Development***

- Continue to focus on the development and operation of high-end real estate projects in prime locations in major cities and popular vacation destinations;
- Maintain a balanced portfolio of property developments and investments encompassing a variety of property types;
- Continue to collaborate with local governments to diversify its sources of access to high-quality land resources;
- Continue to leverage its project development expertise, its relationship with Sinochem Group and its established SOE network to secure high-quality land resources;
- Continue to enhance its brand awareness to stimulate sales and property prices;
- Continue to incorporate innovation into our projects, creating technologically advanced and innovative projects; and
- Continue to implement green strategy to achieve innovative development and differentiated competition.

### ***Hotel Operations***

- Seek asset enhancement opportunities and implement proactive measures to manage and improve asset quality;
- Leverage on the experience, market reach and network of China Jinmao in the hospitality industry to source and pursue value-enhancing acquisitions;

- Improve the operational efficiency of hotel properties; and
- Endeavour to maintain a prudent capital and investment structure, diversified and flexible sources of funding and a strong and healthy financial position.

## **Recent Developments**

### *Disposal of the Fertiliser Segment and Chemical Products Trading Business*

On 5 January 2020, the Company further reorganised its corporate structure and entered into an agreement (the “**Sinofert Share Transfer Agreement**”) to dispose of all of its equity interests in Sinofert to CNAC (HK) Holdings Company Limited, an indirect wholly-owned subsidiary of China National Chemical Corporation Ltd., a PRC wholly state-owned chemical enterprise under the direct supervision and administration of SASAC. Pursuant to the Sinofert Share Transfer Agreement, the profits and losses of Sinofert corresponding to the Company’s equity interests in Sinofert during the transition period from 5 January 2020 to the date of the share transfer closing are assumed by CNAC (HK) Holdings. The share transfer was completed on 17 June 2020. For further information, see Note 10 to the Company’s consolidated financial statements as at and for the year ended 31 December 2019 and Note 9 to the Company’s interim consolidated financial statements as at and for the six months ended 30 June 2020 which are included elsewhere in this Offering Circular. In addition, on 30 December 2019, the Company disposed all of its equity interests in Sinochem Trading (Singapore) Pte Ltd. to Sinochem Lantian Co., Ltd., another subsidiary of Sinochem Group.

### *Placing of Existing Shares and Subscription of New Shares of China Jinmao*

On 3 July 2020, China Jinmao entered into a placing agreement pursuant to which China Jinmao completed a placing of 602,340,000 new shares at the placing price of HK\$5.70 per share on 13 July 2020. The net proceeds from such placing amounted to approximately HK\$3,416 million.

On 3 July 2020, China Jinmao entered into a subscription agreement with the Company, pursuant to which the Company subscribed for, and China Jinmao allotted and issued, 349,450,000 shares at the subscription price of HK\$5.70 per share on 31 August 2020. The net proceeds from such subscription amounted to approximately HK\$1,992 million.

Accordingly, at 31 August 2020, the Company owned approximately 35.15% of the equity interest of China Jinmao. The Company believes that it will remain as the controlling shareholder of China Jinmao.

### *Proposed Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel*

On 12 June 2020, China Jinmao, Jinmao and Jinmao Hotel made a joint announcement, in which China Jinmao requested the boards of Jinmao and Jinmao (China) Investments Manager Limited (in its capacity as the trustee-manager of Jinmao Hotel) to put forward a proposal for the privatization of Jinmao Hotel and Jinmao. The total amount of cash required for this proposal is approximately HK\$3,190.5 million.

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The Company's consolidated statement of financial position information as at 31 December 2018 and 2019, and consolidated statement of comprehensive income information for each of the years then ended have been extracted from the consolidated financial statements audited by KPMG and included elsewhere in this Offering Circular. The Company's interim consolidated statement of financial position information as at 30 June 2020 and interim consolidated statement of comprehensive income information for the six months ended 30 June 2020, have been extracted from the interim consolidated financial statements unaudited and reviewed by KPMG and included elsewhere in this Offering Circular. The summary financial information below should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2019 and unaudited and reviewed consolidated financial statements for the six months ended 30 June 2020, as well as the notes thereto, included elsewhere in this Offering Circular. The Company has disposed of its fertilizer business and chemical products trading business. In addition, pursuant to the Sinofert Share Transfer Agreement, the profits and losses of Sinofert corresponding to the Company's equity interests in Sinofert during the transition period from 5 January 2020 to the date of the share transfer closing are assumed by CNAC (HK) Holdings. Accordingly, the fertilizer business and chemical products trading business have been classified as discontinued operations and excluded from the continuing operations for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020. For further information, see "Recent Developments — Disposal of the Fertiliser Segment and Chemical Products Trading Business", Note 10 to the Company's consolidated financial statements as at and for the year ended 31 December 2019 and Note 9 to the Company's interim consolidated financial statements as at and for the six months ended 30 June 2020.

A combination of business under common control was effected during the six months ended 30 June 2020, where the business acquired in the business combination and the Company are both ultimately controlled by Sinochem Group. The Company has applied merger accounting to account for the business combination under common control. Under merger accounting, the comparative amounts of relevant periods are restated as if the combining entities or businesses have been combined at the beginning of the previous reporting period or when first came under common control, whichever is later. Such restated financial information have been presented throughout the Offering Circular. For details and impact on the Company arising from the common control combination, see Note 18 to the Company's condensed consolidated financial statements as at and for the six months ended 30 June 2020.

The Company's audited consolidated financial statements were prepared and presented in accordance with HKFRS.



## Consolidated Statement of Comprehensive Income Data

	For the years ended 31 December			For the six months ended 30 June		
	2018	2019		2019	2020	
	HK\$ (million)	HK\$ (million)	US\$ (million)	HK\$ (million)	HK\$ (million)	US\$ (million)
	(restated)	(audited)		(restated)	(unaudited)	
<b>CONTINUING OPERATIONS</b>						
REVENUE . . . . .	46,332	49,613	6,369	17,114	13,500	1,742
Cost of sales . . . . .	(28,632)	(34,778)	(4,465)	(10,707)	(9,020)	(1,164)
Gross profit . . . . .	17,699	14,835	1,905	6,407	4,480	578
Other income, gains and losses, net . . . . .	2,916	6,811	874	3,823	4,563	589
Selling and distribution expenses . . . . .	(1,244)	(1,493)	(192)	(437)	(660)	(85)
Administrative expenses . . . . .	(2,852)	(3,466)	(445)	(1,742)	(1,810)	(234)
Fair value changes of investment properties . . . . .	235	514	66	674	657	85
Finance costs . . . . .	(4,054)	(3,438)	(441)	(1,782)	(1,754)	226
Share of profits and losses of:						
Joint ventures . . . . .	437	821	105	229	254	33
Associates . . . . .	128	(111)	(14)	(61)	294	38
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS<sup>(1)</sup></b> . . . . .	<b>13,265</b>	<b>14,472</b>	<b>1,858</b>	<b>7,111</b>	<b>6,024</b>	<b>777</b>
Income tax expense . . . . .	(5,137)	(4,866)	(625)	(1,928)	(1,274)	(164)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b> . . . . .	<b>8,128</b>	<b>9,606</b>	<b>1,233</b>	<b>5,183</b>	<b>4,750</b>	<b>613</b>
<b>DISCONTINUED OPERATIONS</b>						
Profit for the year from discontinued operations . . . . .	587	738	95	538	—	—
<b>PROFIT FOR THE YEAR<sup>(1)</sup></b> . . . . .	<b>8,716</b>	<b>10,344</b>	<b>1,328</b>	<b>5,721</b>	<b>4,750</b>	<b>613</b>
Profit attributable to:						
Owners of the parent . . . . .	2,773	3,410	438	2,063	1,094	141
Non-controlling interests . . . . .	5,943	6,934	890	3,658	3,656	472
	<b>8,716</b>	<b>10,344</b>	<b>1,328</b>	<b>5,721</b>	<b>4,750</b>	<b>613</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of financial statements of foreign operations . . . . .	(5,118)	(2,625)	(337)	(765)	(2,894)	(373)
The share of other comprehensive income of associates and joint ventures . . . . .	(674)	(452)	(58)	—	—	—
Reclassification adjustments for foreign operations disposed of during the year . . . . .	(46)	(59)	(8)	—	—	—
Net investment hedges, net of tax . . . . .	4	—	—	—	—	—
Cash flow hedges, net of tax . . . . .	30	(17)	(2)	(26)	(151)	(19)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods <sup>(1)</sup> . . . . .	(5,804)	(3,153)	(405)	(791)	(3,045)	(393)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Gains on property revaluation, net of tax . . . . .	39	140	18	60	—	—
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax . . . . .	(334)	(148)	(19)	(47)	(201)	(26)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods . . . . .	(296)	(9)	(1)	13	(201)	(26)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS, NET OF TAX<sup>(1)</sup></b> . . . . .	<b>(6,099)</b>	<b>(3,162)</b>	<b>(406)</b>	<b>(778)</b>	<b>(3,246)</b>	<b>(419)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR FROM DISCONTINUED OPERATIONS, NET OF TAX<sup>(1)</sup></b> . . . . .	<b>(305)</b>	<b>(243)</b>	<b>(31)</b>	<b>(37)</b>	<b>—</b>	<b>—</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR<sup>(1)</sup></b> . . . . .	<b>2,311</b>	<b>6,939</b>	<b>891</b>	<b>4,906</b>	<b>1,504</b>	<b>194</b>
Total comprehensive income attributable to:						
Owners of the parent . . . . .	(501)	2,107	(270)	1,498	(227)	(29)
Non-controlling interests . . . . .	2,812	4,833	620	3,408	1,731	223
	<b>2,311</b>	<b>6,939</b>	<b>891</b>	<b>4,906</b>	<b>1,504</b>	<b>194</b>

(1) Casting differences may be incurred as each figure of the line item displayed in the consolidated financial statements was rounded directly.

# Consolidated Statement of Financial Position

	As at 31 December			As at 30 June	
	2018	2019		2020	
	HK\$ (million)	HK\$ (million)	US\$ (million)	HK\$ (million)	US\$ (million)
		(audited)		(unaudited)	
		(restated)			
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment . . . . .	15,539	12,216	1,568	12,030	1,552
Land under development . . . . .	10,924	11,950	1,534	10,400	1,342
Properties under development . . . . .	57,201	77,318	9,926	84,711	10,930
Investment properties . . . . .	33,856	35,955	4,616	35,957	4,640
Right of use assets . . . . .	—	1,806	232	1,719	222
Prepaid land lease payments . . . . .	2,216	—	—	—	—
Goodwill . . . . .	4,028	2,000	257	2,000	258
Intangible assets . . . . .	674	56	7	74	10
Investments in joint ventures . . . . .	8,857	12,850	1,650	13,456	1,736
Investments in associates . . . . .	8,705	8,981	1,153	10,084	1,301
Financial assets designated at fair value through other comprehensive income . . . . .	1,767	910	117	708	91
Amounts due from related parties . . . . .	30,858	32,265	4,142	5,725	739
Deferred tax assets . . . . .	2,293	3,084	396	2,957	382
Amounts due from non-controlling shareholders . . . . .	4,138	1,194	153	1,049	135
Other assets . . . . .	1,854	4,449	571	570	74
Total non-current assets <sup>(1)</sup> . . . . .	182,910	205,034	26,322	181,440	23,411
<b>CURRENT ASSETS</b>					
Inventories . . . . .	6,476	194	25	174	22
Land under development . . . . .	3,538	2,222	285	2,677	345
Properties under development . . . . .	55,321	69,480	8,920	115,069	14,847
Properties held for sale . . . . .	10,261	13,154	1,689	10,985	1,417
Prepaid land lease payments . . . . .	77	—	—	—	—
Trade and bills receivables . . . . .	1,502	1,614	207	2,531	327
Contract assets . . . . .	176	298	38	250	32
Prepayments, other receivables and other assets	25,127	33,778	4,336	38,699	4,993
Amounts due from related parties . . . . .	54,648	53,339	6,848	77,222	9,964
Tax recoverable . . . . .	3,409	4,535	582	5,532	714
Derivative financial instruments . . . . .	8	—	—	—	—
Restricted bank balances . . . . .	5,087	8,384	1,076	8,503	1,097
Cash and cash equivalents . . . . .	28,320	21,085	2,707	19,916	2,570
Other assets . . . . .	306	52	7	3,614	466
Total current assets . . . . .	194,256	208,135	26,720	285,172	36,796

(1) Casting differences may be incurred as each figure of the line item displayed in the consolidated financial statements was rounded directly.

	As at 31 December			As at 30 June	
	2018	2019		2020	
	HK\$	HK\$	US\$	HK\$	US\$
	(million)	(million)	(million)	(million)	(million)
		(audited)		(unaudited)	
		(restated)			
<b>CURRENT LIABILITIES</b>					
Trade and bills payables . . . . .	16,511	21,307	2,735	21,846	2,819
Other payables and accruals . . . . .	82,189	92,602	11,888	125,934	16,249
Derivative financial instruments . . . . .	75	121	16	139	18
Interest-bearing borrowings . . . . .	32,361	41,650	5,347	50,436	6,508
Lease liabilities . . . . .	—	78	10	66	9
Amounts due to related parties . . . . .	19,545	24,799	3,184	47,117	6,080
Tax payable . . . . .	1,956	2,875	369	2,064	266
Provision for land appreciation tax . . . . .	3,060	3,673	472	2,296	296
Total current liabilities <sup>(1)</sup> . . . . .	155,696	187,105	24,020	249,898	32,244
NET CURRENT ASSETS <sup>(1)</sup> . . . . .	38,560	21,030	2,700	35,274	4,551
<b>TOTAL ASSETS LESS</b>					
CURRENT LIABILITIES <sup>(1)</sup> . . . . .	221,470	226,064	29,022	216,714	27,963
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing borrowings . . . . .	95,884	87,288	11,206	79,545	10,264
Lease liabilities . . . . .	—	134	17	130	17
Deferred tax liabilities . . . . .	6,395	6,783	871	7,682	991
Deferred income . . . . .	83	—	—	—	—
Derivative financial instruments . . . . .	51	39	5	135	17
Other non-current liabilities . . . . .	119	78	10	75	10
Total non-current liabilities <sup>(1)</sup> . . . . .	102,532	94,322	12,109	87,567	11,299
NET ASSETS . . . . .	118,938	131,742	16,913	129,147	16,664
<b>CAPITAL AND RESERVES</b>					
Issued capital . . . . .	24,468	24,468	3,141	24,468	3,157
Reserves . . . . .	20,581	20,291	2,605	17,494	2,257
Equity attributable to owners of the parent <sup>(1)</sup> . . . . .	45,049	44,759	5,746	41,962	5,414
Non-controlling interests . . . . .	73,889	86,983	11,167	87,185	11,250
TOTAL EQUITY . . . . .	118,938	131,742	16,913	129,147	16,664

(1) Casting differences may be incurred as each figure of the line item displayed in the consolidated financial statements was rounded directly.

## Other Unaudited Financial Data

	As at and for the year ended 31 December		As at and for the six months ended 30 June	
	2018	2019	2019	2020
EBITDA <sup>(1)</sup> (in HK\$ millions) . . . . .	16,167	12,918	5,491	2,943
EBITDA <sup>(1)(2)</sup> (in US\$ millions) . . . . .	2,065	1,658	705	380
EBITDA/Gross interest expense <sup>(3)</sup> . . .	2.1x	1.4x	1.3x	0.6x
Total debt <sup>(4)</sup> /Total capitalisation <sup>(5)</sup> . . .	51.9%	50.8%	49.5%	50.2%

- (1) EBITDA for any period consists of gross profit, after deducting selling and distribution expenses and administrative expenses, adding back share of profits and losses of joint ventures, share of profits and losses of associates, dividend income from available-for-sale investments, dividend income from equity investments designated at fair value through other comprehensive income, government grants, compensation received, sales of scrapped materials, sundry income — net, and before depreciation and amortization.

EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Company's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Company believes that investors should consider, among other things, the components of EBITDA, such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Company has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of the Company's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Company's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

- (2) Translated from Hong Kong dollars into U.S. dollars at the rate of (i) HK\$7.8305 to US\$1.00 for 2018 financial data, (ii) HK\$7.7894 for 2019 financial data and (iii) HK\$7.7501 to US\$1.00 for 2020 financial data, which are the exchange rates set forth in the weekly statistical release of the Federal Reserve Board on 31 December 2018, 31 December 2019 and 30 June 2020, respectively.
- (3) Gross interest expense includes the interest expenses shown in the Company's consolidated financial statements and the interest expenses capitalised in properties under development and other qualifying assets.
- (4) Total debt consists of all short-term borrowings and long-term borrowings. It does not include amounts due to related parties, amounts due to non-controlling interests and other liabilities.
- (5) Total capitalisation equals total debt plus total equity.

## SUMMARY OF THE PROGRAMME

*The following summary of the Programme does not purport to be complete and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in “Form of the Instruments”, “Terms and Conditions of the Notes” and “Terms and Conditions of the Securities” shall have the same meanings in this summary.*

Issuer: . . . . . Sinochem Offshore Capital Company Limited.

Legal Entity Identifier: . . . . . 3003004LKKZ33WMP2P47.

Guarantor: . . . . . Sinochem Hong Kong (Group) Company Limited.

Letter of Support Provider: . . . . . Sinochem Group.

Description: . . . . . Medium Term Note and Perpetual Securities Programme.

Programme Size: . . . . . Up to US\$10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) aggregate nominal amount of Instruments outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Arrangers: . . . . . Standard Chartered Bank  
Citigroup Global Markets Limited  
The Hongkong and Shanghai Banking Corporation Limited

Dealers: . . . . . Standard Chartered Bank  
Citigroup Global Markets Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Crédit Agricole Corporate and Investment Bank  
DBS Bank Ltd.  
Australia and New Zealand Banking Group Limited  
Merrill Lynch (Asia Pacific) Limited  
J.P. Morgan Securities plc  
UBS AG Hong Kong Branch  
Bank of China Limited  
Industrial and Commercial Bank of China (Asia) Limited

The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. The Issuer may sell Instruments to the Dealers acting as principals for resale to investors or other purchasers and the Issuer may also sell Instruments directly to investors. Instruments may be distributed on a syndicated or non-syndicated basis. See “Subscription and Sale”.

Trustee: . . . . . Citicorp International Limited.



Principal Paying Agent, Principal Registrar and Transfer Agent: . . . . .	Citibank, N.A., London Branch.
CMU Registrar, CMU Transfer Agent, CMU Lodging and Paying Agent: . . . . .	Citicorp International Limited.
Agents: . . . . .	Collectively, the Principal Paying Agent, Principal Registrar and Transfer Agent and the CMU Registrar, CMU Transfer Agent, CMU Lodging and Paying Agent.
Method of issue: . . . . .	Instruments may be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each, a “ <b>Series</b> ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest or (as the case may be) distribution and/or the issue price), the Instruments of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each, a “ <b>Tranche</b> ”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest or (as the case may be) distribution and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a “ <b>Pricing Supplement</b> ”).
Issue Price: . . . . .	Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more installments.
Currencies: . . . . .	Subject to compliance with all relevant laws, regulations and directives, Instruments may be issued in any currency agreed between the Issuer, the Guarantor and the Relevant Dealer(s).
Specified Denomination: . . . . .	Instruments may be denominated in any agreed currency and with any agreed maturity, subject to any applicable legal or regulatory restrictions and any requirements of the relevant central bank (or equivalent body).  The Instruments will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Instrument will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Taxation: . . . . .	<p>All payments premium (if applicable), interest or distribution (as the case may be) in respect of the Instruments by or on behalf of the Issuer or Guarantor will be made free and clear of, and without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction, subject to certain exceptions/as provided in the Note Conditions and the Security Conditions. In the event that any such withholding or deduction is made, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in the Note Conditions and the Security Conditions, be required to pay such additional amounts (the “<b>Additional Amounts</b>”) as will result in receipt by the holders of the instruments after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Instrument under the circumstances further described in the Note Conditions and the Security Conditions.</p>
Clearing Systems: . . . . .	<p>Euroclear, Clearstream and the CMU Service for Bearer Notes and Euroclear, Clearstream, DTC and the CMU Service for Registered Instruments and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Trustee and the relevant Dealer.</p>
Rating:. . . . .	<p>Instruments issued under the Programme may be rated or unrated. Where an issue is rated, the rating of the Instruments to be issued under the Programme will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.</p>
Listing and admission to trading:. .	<p>Application has been made to The Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange.</p> <p>For so long as any Instruments are listed on the Hong Kong Stock Exchange and the rules of the Hong Kong Stock Exchange so require, such Instruments will be traded on the Hong Kong Stock Exchange in a minimum board lot size of HK\$500,000 (or its equivalent in other currencies) or such other amount as may be allowed or required from time to time.</p>

Instruments may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, the Guarantor and the relevant Dealer in relation to the Series. Instruments which are neither listed nor admitted to trading on any market may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Instruments are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Selling Restrictions: . . . . .

For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering materials in the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, British Virgin Islands and Singapore, see “Subscription and Sale” below.

For the purposes of Regulation S, Category 2 selling restrictions will apply unless otherwise indicated in the relevant Pricing Supplement.

In connection with the offering and sale of a particular Series of Instruments, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement.

In connection with the offering and sale of a particular Series of Instruments, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement. Bearer Notes will be issued in compliance with the TEFRA D Rules (as defined herein) unless (i) the applicable Pricing Supplement states that the Bearer Notes are issued in compliance with the TEFRA C Rules (as defined herein) or (ii) the Bearer Notes are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstance in which the Instruments will not constitute “registration required obligations” for U.S. federal income tax purposes, which circumstance will be referred to in the applicable Pricing Supplement; Bearer Notes with a term of 365 days or less (taking into account unilateral extensions and rollovers) will be issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules and will be referred to in the applicable Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”) is not applicable.

Transfer Restrictions: . . . . .

There are restrictions on the transfer of Instruments. See “Transfer Restrictions”.

Initial Delivery of Instruments. . . . On or before the issue date for each Series, the Global Note representing Bearer Notes or the Unrestricted Global Certificate representing Unrestricted Registered Instruments may be deposited with a common depositary for Euroclear and/or Clearstream and/or, in respect of CMU Notes, a sub-custodian for the CMU Service and/or, in the case of a Series intended to be cleared through DTC, in the name of Cede & Co. or such entity as is specified in the applicable Pricing Supplement as nominee for DTC, or any other clearing system or may be delivered outside any clearing system, provided that the method of such delivery has been agreed in advance by the Issuer, the Principal Paying Agent and the relevant Dealers. The Restricted Global Certificate representing Restricted Registered Instruments may be deposited on the relevant issue date with a custodian for, and registered in the name of Cede & Co. or such entity as is specified in the applicable Pricing Supplement as nominee for, DTC. Registered Instruments that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of a nominee for or the operator of, such clearing systems.

## THE NOTES

Status of the Notes . . . . . The Notes constitute direct, general, unsubordinated, unconditional and (subject to Note Condition 5(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

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

Maturities. . . . . Subject to compliance with all relevant laws, regulations and directives, any maturity may be agreed as between the Issuer, the Guarantor and the Dealers.

Form of Notes: . . . . . The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”). Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Each Tranche of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each, a “**Temporary Global Note**”) or a permanent global note in bearer form (each, a “**Permanent Global Note**” and, together with the Temporary Global Notes, the “**Global Notes**”), as specified in the applicable Pricing Supplement. Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes, or if so stated in the applicable Pricing Supplement, definitive Notes (“**Definitive Notes**”). If the TEFRA D Rules are specified in the applicable Pricing Supplement, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures or the time being of Euroclear, Clearstream, DTC, the CMU Service and/or any other agreed clearing system, as appropriate.

Each Tranche of Registered Notes will, unless specified in the relevant Pricing Supplement, be represented by a Global Note Certificate (as defined in the “Form of the Instruments”), which will be deposited on or about its issue date with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream or any other agreed clearing system compatible with Euroclear and Clearstream, or in respect of Notes intended to be cleared through the CMU Service, the Global Certificate will be lodged with a sub-custodian for the CMU Service operated by the HKMA and registered in the name of the HKMA, or in the case of Notes intended to be cleared through DTC, in the name of Cede & Co. or such entity as is specified in the applicable Pricing Supplement as nominee for DTC. With respect to all offers or sales by a Dealer of an unsold allotment or subscription, beneficial interests in a Global Note Certificate of such Tranche may be held only through Euroclear or Clearstream, DTC or the CMU Service.

Application will be made to have Global Notes or Global Note Certificates of any Tranche accepted for clearance and settlement through the facilities of Euroclear, Clearstream, DTC and/or the CMU Service or any other agreed clearing system compatible with Euroclear and Clearstream, as appropriate.



Terms of Notes: . . . . . Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

The terms of the Notes will be specified in the applicable Pricing Supplement. The following types of Notes may be issued: (i) Fixed Rate Notes; (ii) Floating Rate Notes; (iii) Index Linked Notes; (iv) Dual Currency Notes; and (v) Zero Coupon Notes.

Interest periods, rates of interest and the terms of and/or amounts payable on redemption may differ depending on the Notes being issued and such terms will be specified in the applicable Pricing Supplement.

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

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

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

Negative Pledge: . . . . . The terms of the Notes will contain a negative pledge provision as further described in Note Condition 5(a) (*Negative Pledge*).

Cross Default: . . . . . The terms of the Notes will contain a cross default provision as further described in Note Condition 13.

Governing law . . . . . The Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.

Jurisdiction. . . . . The courts of England.

## THE SECURITIES

Status of the Securities: . . . . . The Securities constitute direct, general, unconditional and subject to Security Condition 5(a) (*Negative Pledge*) unsecured and subordinated obligations of the Issuer which will at all times rank *pari passu* and without any preference and priority among themselves and with any Parity Obligations of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in Security Condition 4.

Status of the Guarantee of the Securities . . . . . The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed on a subordinated basis the due and punctual payment in full of all sums expressed to be from time to time payable by the Issuer under the Trust Deed and in respect of the Securities. The Guarantee of the Securities constitutes direct, general, unconditional and (subject to Security Condition 5(a) (*Negative Pledge*) unsecured and subordinated obligations of the Guarantor which will at all times rank at least *pari passu* with any Parity Obligations of the Guarantor. The rights and claims of the Holders in respect of the Guarantee of the Securities are subordinated as provided in Security Condition 4.

Ranking of claims in respect of the Securities . . . . . Subject to applicable law, in the event of the Winding-Up of the Issuer, the rights and claims of the Holders in respect of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Obligations of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Issuer, other than the claims of holders of Parity Obligations of the Issuer.

Ranking of claims in respect of the Guarantee of the Securities . . . . Subject to applicable law, in the event of the Winding-Up of the Guarantor, the rights and claims of the Holders in respect of the Guarantee of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Obligations of the Guarantor, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Guarantor, other than the claims of holders of Parity Obligations of the Guarantor.

Set-off — Securities . . . . .	Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.
Set-off — Guarantee of the Securities . . . . .	Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with the Guarantee of the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Guarantor in respect of, or arising under or in connection with the Guarantee of the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.
Maturities: . . . . .	The Securities are perpetual securities in respect of which there is no maturity date.
Form of Securities: . . . . .	The Securities will be issued in registered form only.
Distribution Basis: . . . . .	Subject to Security Condition 6(e) ( <i>Distribution — Distribution Deferral</i> ), the Securities confer a right to receive distribution (each a “ <b>Distribution</b> ”) from the Distribution Commencement Date at the Distribution Rate payable in arrear on each Distribution Payment Date in accordance with Security Condition 6 ( <i>Distribution</i> ).

Distribution Deferral: . . . . .	The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Securityholders, the Trustee and the Principal Paying Agent in writing, and provided that if Dividend Pusher is specified as applicable in the relevant Pricing Supplement, a Compulsory Distribution Payment Event has not occurred.
Compulsory Distribution Payment Event: . . . . .	<p>If Dividend Pusher is specified as being applicable in the relevant Pricing Supplement, during the six-month period ending on the day before the relevant Distribution Payment Date, either or both of the following have occurred:</p> <ul style="list-style-type: none"> <li>(a) a discretionary dividend, discretionary distribution or other discretionary payment has been declared or paid by the Issuer, the Guarantor or any of their respective Subsidiaries on or in respect of any Parity Obligations or Junior Obligations of the Issuer or the Guarantor (except (i) in relation to the Parity Obligations of the Issuer or (as the case may be) the Guarantor on a <i>pro-rata</i> basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) for the issue of dividends to the Issuer, the Guarantor or to any intermediate holding company); or</li> <li>(b) the Issuer, the Guarantor or any of their respective Subsidiaries has at its discretion redeemed, reduced, cancelled, bought back or otherwise acquired any Parity Obligations or Junior Obligations of the Issuer or the Guarantor (except (i) in relation to the Parity Obligations of the Issuer or (as the case may be) the Guarantor on a <i>pro-rata</i> basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) as a result of the exchange or conversion of such Parity Obligations for Junior Obligations of the Issuer or (as the case may be) the Guarantor);</li> </ul>
No Obligation to Pay: . . . . .	The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Security Condition 6(e)(i) ( <i>Distribution — Distribution Deferral – Optional Deferral</i> ) and any failure to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount), in whole or in part, shall not constitute a default of the Issuer in respect of the Securities.

Cumulative Deferral: . . . . . Any Distribution deferred pursuant to Security Condition 6(e) (*Distribution — Distribution Deferral*) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect (in the circumstances set out in Security Condition 6(e)(i) (*Distribution — Distribution Deferral – Optional Deferral*)) to further defer (in whole or in part) any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to Security Condition 6(e) (*Distribution — Distribution Deferral*).

Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such additional distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to Security Condition 6 (*Distribution*) and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of Security Condition 6 (*Distribution*). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Satisfaction of Arrears of  
Distribution by payment: . . . . .

The Issuer:

- (A) may satisfy any Arrears of Distribution and any Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Security Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than 5 nor more than 20 Business Days prior to the proposed payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and Additional Distribution Amounts, on the payment date specified in such notice); and
- (B) in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amount (in whole but not in part) on the earliest of:
  - (1) the date of redemption of the Securities in accordance with the redemption events set out in Security Condition 7 (*Redemption and Purchase*) with respect to the amount for redemption;

- (2) the next Distribution Payment Date falling immediately after a breach of Security Condition 6(e)(v) (*Distribution — Distribution Deferral — Restrictions in the case of Deferral*) or the occurrence of a Compulsory Distribution Payment Event;
- (3) a Winding-Up of the Issuer or the Guarantor; and
- (4) the date of any substitution or variation in accordance with Security Condition 14(e) (*Substitution or Variation*).

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

Restrictions in the case of Deferral: If Dividend Stopper is specified in the relevant Pricing Supplement as being applicable and if on any Distribution Payment Date, payment of all Distribution payments (including any Arrears of Distribution and any Additional Distribution Amount) scheduled to be made on such date is not made in full by reason of Security Condition 6(e) (*Distribution — Distribution Deferral*), each of the Issuer and the Guarantor undertakes, and undertakes to procure their respective Subsidiaries:

- (A) not to declare or pay any discretionary dividend, discretionary distribution or any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, in each case, on or in respect of any of its Parity Obligations or Junior Obligations (except (1) in relation to the Parity Obligations on a *pro-rata* basis, or (2) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (3) for the issue of dividends to the Issuer, the Guarantor or to any intermediate holding company); and
- (B) not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any of its Parity Obligations or Junior Obligations (except (1) in relation to the Parity Obligations on a *pro-rata* basis, (2) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (3) as a result of the exchange or conversion of such Parity Obligations for Junior Obligations,

in each case, unless and until the Issuer (failing whom, the Guarantor) (aa) has satisfied in full all outstanding Arrears of Distribution and any Additional Distribution Amounts or (bb) is permitted to do so by an Extraordinary Resolution and/or otherwise specified in the relevant Pricing Supplement.

Limited Rights to

Institute Proceedings: . . . . .

The right of the Trustee or any Securityholder to institute proceedings for Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Security Condition 6(e) (*Distribution — Distribution Deferral*). This shall not in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer or the Guarantor, in respect of any costs, charges, fees or expenses properly incurred or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

Redemption for tax reasons: . . . . .

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), as may be further described in Security Condition 7(b) (*Redemption for tax reasons*).

Redemption at the option of the

Issuer. . . . .

If the Call Option (Issuer) is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable) and shall oblige the Issuer to redeem the Securities at their Optional Redemption Amount (Issuer) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) on the First Call Date (if the notice is given before the First Call Date) or on any Distribution Payment Date after the First Call Date (if the notice is given after the First Call Date) (each, a "**Call Date**").



Redemption for accounting reasons: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at:

- (i) their Early Redemption Amount (Accounting Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
- (ii) their principal amount, together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

subject as further described in Security Condition 7(d) (*Redemption for accounting reasons*).

*Redemption for Change of Control  
Event . . . . .*

If Change of Control Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at:

- (i) their Early Redemption Amount (Change of Control Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
- (ii) their principal amount, together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if a Change of Control Triggering Event occurs.

<i>Redemption for Breach of Covenant Event</i> . . . . .	If Breach of Covenant Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Breach of Covenant Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) upon the occurrence of a Breach of Covenant Event.
Redemption for a Relevant Indebtedness Default Event: . . .	If Relevant Indebtedness Default Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Relevant Indebtedness Default Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) upon the occurrence of a Relevant Indebtedness Default Event.
Redemption in the case of minimum outstanding amount: . .	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Optional Redemption Amount (Minimum Outstanding Amount) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.
Right of Securityholders: . . . . .	No Securityholders shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer and the Guarantor as those which the Trustee is entitled to exercise as set out in Security Condition 10 ( <i>Non-payment</i> ).

Proceedings for Winding-Up: . . . .	If (i) there is a Winding-Up of the Issuer or the Guarantor (in the case of Guarantor, on a voluntary basis), or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or under the Trust Deed for a period of 10 days or more after the date on which such payment is due (each, an “ <b>Enforcement Event</b> ”), the Issuer and/or the Guarantor shall be deemed to be in default under the Trust Deed, the Securities and, as the case may be, the Guarantee of the Securities and the Trustee may, subject to the provisions of Security Condition 10(d) ( <i>Non-payment — Entitlement of Trustee</i> ) below, institute proceedings for the Winding-Up of the Issuer, the Guarantor or any combination of them and/or prove in the Winding-Up of the Issuer, the Guarantor or any combination of them and/or claim in the liquidation of the Issuer, the Guarantor or any combination of them for such payment, as provided in the Trust Deed.
Negative Pledge . . . . .	The terms of the Securities will contain a negative pledge provision as further described in Security Condition 5(a) ( <i>Negative Pledge</i> ).
Governing law . . . . .	The Securities and the Trust Deed and all non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by English law, except that the subordination provisions applicable to (i) the Issuer set out in Security Condition 4(a) ( <i>Form, Denomination, Status and Guarantee — Status of the Securities</i> ), Security Condition 4(c) ( <i>Form, Denomination, Status and Guarantee — Ranking of claims in respect of the Securities</i> ), Security Condition 4(e) ( <i>Form, Denomination, Status and Guarantee — Set-off — Securities</i> ) and clause 6 ( <i>Subordination of the Securities</i> ) of the Trust Deed shall be governed by, and construed in accordance with, the laws of the British Virgin Islands and (ii) the Guarantor set out in Security Condition 4(b) ( <i>Form, Denomination, Status and Guarantee; Status of the Guarantee of the Securities</i> ), Security Condition 4(d) ( <i>Form, Denomination, Status and Guarantee — Ranking of claims in respect of the Guarantee of the Securities</i> ), Security Condition 4(f) ( <i>Form, Denomination, Status and Guarantee — Set-off — Guarantee of the Securities</i> ) and clauses 5.2.2 ( <i>Status and Ranking of claims in respect of the Guarantee of the Securities</i> ) and 5.2.3 ( <i>Set-off in relation to the Guarantee of the Securities</i> ) of the Trust Deed shall be governed by, and construed in accordance with, Hong Kong law.
Jurisdiction. . . . .	The courts of England.

## LETTER OF SUPPORT

*Disclaimer: Sinochem Group has issued the following letter to potential investors in connection with the preparation of this Offering Circular. The letter does not, however, represent a guarantee or a legally binding obligation of Sinochem Group in relation to the Instruments, the Guarantee or this Offering. See “Risk Factors — Risks Relating to the Company — The Company is an integral part of Sinochem Group’s business and its business operations are currently managed by Sinochem Group” for more information.*



Date: 18 September 2020

**To: Holders of notes and/or perpetual securities (including listed and unlisted notes and/or perpetual securities) (the “Instruments”) issued by Sinochem Offshore Capital Company Limited (the “Issuer”) from time to time under its Hong Kong Stock Exchange listed Medium Term Note and Perpetual Securities Programme (the “Programme”) whose obligations are unconditionally and irrevocably guaranteed (the “Guarantees”) by the Company.**

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This letter is intended to confirm the support of Sinochem Group for the Issuer, the Company, the Programme and the Instruments.

The Company is the flagship overseas holding company of Sinochem Group and the primary overseas platform for executing Sinochem Group’s business strategy. The Company is wholly owned by Sinochem Corporation, a company incorporated in China, which is 100% beneficially-owned by Sinochem Group. Sinochem Group is wholly owned by the State owned Assets Supervision and Administration Commission of the State Council of China (the “SASAC”) and is one of China’s key state-owned enterprises.

Established in 1950, Sinochem Group was the first state-owned import and export enterprise specializing in foreign trade business, and has grown into one of the largest and most recognizable state-owned, multinational conglomerates in China, with more than 200 subsidiaries and branches in and outside of China. Sinochem Group has four core business lines: energy, chemical, real estate and financial services.

In December 2008, Sinochem Group received formal approval from the State Council of China and the SASAC for its plan to restructure into a joint stock limited company. In June 2009, Sinochem Corporation was incorporated as a joint stock limited company 98%-owned by Sinochem Group and 2%-owned by China Ocean Shipping Corporation Limited (“COSCO”) (previously known as China Ocean Shipping (Group) Company), also a state-owned enterprise. On 18 February 2020, COSCO transferred its 2% interest in Sinochem Corporation to Sinochem Investment Development Co., Ltd., a wholly-owned subsidiary of Sinochem Group. As at the date of this Letter of Support, Sinochem Group beneficially holds 100% of the equity interest in Sinochem Corporation.

The Company commenced operations in Hong Kong in 1994 to serve as an overseas holding company of Sinochem Group. The Company's principal objective is to execute Sinochem Group's business strategy. Consistent with this objective, Sinochem Group, through asset injections, corporate reorganisation and acquisitions, has continued to increase the asset base and business scope of the Company. As at 31 December 2018 and 2019, the Company accounted for 66.8% and 75.3% of Sinochem Group's assets, respectively.

The Company is a substantial shareholder of China Jinmao Holdings Group Limited, a Hong Kong Stock Exchange listed company. It also acts as a primary treasury centre for the financing of Sinochem Group's overseas businesses and activities. We view the Company as a key part of Sinochem Group's strategy to become an established industry leader in China and to enhance its global presence.

The Issuer is a wholly owned subsidiary of the Company and was incorporated with limited liability on 4 January 2011 in the British Virgin Islands under the BVI Business Companies Act, 2004. The Issuer has no material assets and will conduct no business, except in connection with the issuance of the Instruments under the Programme and the investment of the net proceeds from their issuance.

It is our intention that during the life of the Instruments and the Guarantees, the Company will remain a majority-owned subsidiary of Sinochem Group. We confirm that we do not intend to take or approve any action that would result in the Company not remaining commercially and financially viable.

We believe that the Company's stability and financial strength are critical for Sinochem Group's business operations and strategies, and we have supported and intend to continue to support the Company, to the extent permitted by law, with all practicable measures to maintain its financial condition, provide timely liquidity support and enable it to fulfill its financial and other obligations in a timely manner.

With our support, we believe that the Company is well positioned to continue to strengthen its role as a market leader in the domestic and international real estate markets. We look forward to the positive impact that our influence and expression of support will have on the Programme.

For the purpose of this letter only, references to "**China**" are to the People's Republic of China, excluding Taiwan and the Special Administrative Regions of Hong Kong and Macau.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

By: 

(signed on behalf of Sinochem Group)

Name: NING Gaoning

Title: President

## RISK FACTORS

*Prior to making any investment decision regarding the Instruments, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Company or which the Issuer or the Company currently deem/deems to be immaterial, may affect the Issuer's or the Company's business, financial condition or results of operations or the Issuer's or the Company's ability to fulfill its obligations under the Instruments.*

*The Company is a holding company and generates all of its revenue through its subsidiaries. The Issuer is a wholly owned subsidiary of the Company.*

### **Risks Relating to the Company**

***As a holding company with no operations of its own, the Company generally depends on distributions from its subsidiaries to meet its payment obligations, and provisions of applicable law or contractual restrictions could limit the amount of such distributions.***

The Company owns the entire issued share capital of the Issuer and intends for it to serve solely as a finance subsidiary. The Guarantee is solely the Company's obligation. The Company is a holding company which is 100% indirectly owned by Sinochem Group as at the date of this Offering Circular and derives substantially all of its operating income from, and holds substantially all of its assets through, its subsidiaries. As a result, the Company generally depends on distributions from its subsidiaries in order to meet its payment obligations, including its obligations to the Issuer or pursuant to the Guarantee. 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 law, such as those limiting the legal sources of dividends, limit the ability of the Company's subsidiaries to make payments or other distributions to the Company, and these subsidiaries could agree to contractual restrictions on their ability to make distributions. Certain loan agreements to which the Company's PRC subsidiaries are a party also restrict such subsidiaries' ability to declare and make distributions. The Company and its 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 distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Instruments and the Guarantee. Although the Company believes that it will be able to meet its obligations in respect of the Instruments, 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 Company is an integral part of Sinochem Group's business and its business operations are currently managed by Sinochem Group.***

As at the date of this Offering Circular, Sinochem Group beneficially holds a 100.0% equity interest in Sinochem Corporation, which holds a 100.0% equity interest in the Company. The Company is an integral part of Sinochem Group's business and acts as the primary overseas platform to execute Sinochem Group's business strategy. As such, the Company's business operations are centrally managed by Sinochem Group. A majority of its senior management is also senior management of Sinochem Group. Sinochem Group provides a number of administrative, personnel, risk management and other support to the Company. Furthermore, there are a number of intragroup agreements/arrangements between the Company and Sinochem Group to facilitate the Company's business operations, including arrangements pursuant to which Sinochem Group permits the Company to use the "Sinochem" brand free of charge. See "Related Party Transactions" for further details on transactions between the Company and Sinochem Group. If the relationship between the Company and Sinochem Group changes, the operations and development of the Company's business could be materially and adversely affected.



***Sinochem Group’s letter of support is neither legally binding nor a guarantee, and Sinochem Group is not legally obligated to support the Company in the manner contemplated by the letter of support.***

The letter of support (see “Letter of Support”) provided by Sinochem Group to investors in the Instruments is not legally binding. It is not a guarantee by Sinochem Group. Accordingly, the Company cannot assure holders of the Instruments that Sinochem Group will provide support to the Company in the manner contemplated by the letter of support. In addition, the holders of the Instruments will not be able to bring any action against Sinochem Group to enforce the letter of support. Even if Sinochem Group intends to provide direct financial support to the Company to meet its outstanding debt obligations, such financial support will be subject to governmental approvals which cannot be assured.

***The Company may not be able to expand its business effectively through acquisitions, investments, joint ventures and new business lines. The Company may also need to incur additional debt to finance such expansion activities.***

The Company’s business strategy includes selective acquisitions of new assets or businesses, entering into new strategic alliances and joint ventures and investing in or entering into new business lines. The Company’s ability to benefit from such acquisitions, investments, alliances and joint ventures will depend upon a number of factors, some of which are beyond its control. These factors include, but are not limited to, the Company’s ability to: maintain, expand or develop its customer relationships; identify assets or businesses for acquisition, investments, joint ventures or alliances; successfully execute the acquisition or integrate any business it acquires; identify additional new markets; successfully work with its joint venture partners or other shareholders; and train and retain qualified personnel to manage and operate its growing business and any new business lines. In addition, such expansion will require the Company to continuously upgrade and improve its risk management systems and controls. The failure to manage any of these factors effectively may have a material adverse effect on the Company’s business, financial position and results of operations.

Integrating new assets or businesses into the Company’s operational framework and ensuring their proper management may also involve unanticipated delays, costs and operational problems, in particular with respect to business lines with which the Company has not had extensive experience in the past. The Company may encounter unexpected problems or have disagreements or conflicting interests with one of its joint ventures or alliance partners or the other shareholders of its acquisitions. Further, with respect to some joint ventures or its equity investments in which the Company only holds a minority share, it may not have any board representation or veto power. In case of disagreement with the Company’s partners or other shareholders, other parties may breach or terminate agreements and management may be required to divert attention away from other aspects of its businesses to address these problems. Acquisitions also pose the risk that the Company may be exposed to successor liability relating to actions by an acquired company and its management before and after the acquisition. The due diligence that the Company conducts in connection with an acquisition may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that it receives from the sellers of acquired companies may not be sufficient to protect it from, or compensate it for, actual liabilities. A material liability associated with an acquisition could adversely affect the Company’s reputation and reduce the benefits of the acquisition and may have a material adverse effect Company’s business, financial position and results of operations.

***The Company is exposed to risks arising from global economic and political conditions. The global financial crisis, economic downturn and political conflict have adversely affected economies and businesses around the world, including in China.***

The success and profitability of the Company’s activities depend, in part, on global economic growth and trading volumes and the conditions of the real estate markets in the PRC. The conditions of the real estate markets in the PRC are affected by changes or developments in global economic and



financial conditions (including currency rate movements) that are beyond the Company's control. Other external factors, such as the imposition of trade tariffs, sanctions, boycotts, trade and labour disputes and work stoppages, and acts of war or hostilities, which are events beyond the Company's control, could adversely affect the conditions of the real estate markets in the PRC and lead to a material decline in demand for the products and/or services offered by the Company.

Global market and economic conditions have been challenging with tightening credit conditions. Continued concerns about the systemic impact of slowing economic recovery, geopolitical issues, the availability and cost of credit have contributed to increased market volatility and diminished expectations for economic growth around the world.

Volatility in the global market in recent years has led to greater uncertainty in the global economy. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies. China's economic conditions are sensitive to global economic conditions, and it is impossible to predict how the Chinese economy will develop in the future and whether it might experience any financial crisis in a manner and scale similar to that in the United States and the European countries.

Notwithstanding the measures taken by the PRC government to control inflation, China may continue to experience inflation in the near-term and the Company's operating costs may become higher than anticipated. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.9% and 2.5% in 2019 and for the six months ended 30 June 2020, respectively.

China's rate of economic growth also slowed down considerably in 2013 and such decline in growth rate continued into 2020, primarily due to a slow economic recovery in the United States, deliberate policy by the PRC government to control growth and inflation, as well as measures by a number of governments including quantitative easing and negative interest rates. The financial and economic situation may also have a negative impact on third parties with whom the Company does, or may do, business. In addition, China's economic growth may slow down due to weakened exports as well as recent developments surrounding the trade tensions between China and the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminium imports from China. On 6 July 2018, the United States imposed 25.0% tariffs on US\$34.0 billion worth of Chinese goods as part of the trade policy of the United States government. China responded with similarly sized tariffs on United States' products. On 18 September 2018, United States imposed 10.0% tariffs on approximately US\$200.0 billion worth of Chinese goods and planned to increase the tariffs further. In return, China responded with tariffs on US\$60.0 billion worth of U.S. goods. On 1 December 2018, the United States and China agreed to temporarily pause the trade war for 90 days and resumed negotiation. In August 2019, the United States proposed to impose 10% tariffs on an additional US\$300 billion worth of Chinese goods and China announced additional retaliatory tariffs on approximately \$75 billion worth of U.S. goods. On 1 November 2019, the World Trade Organization issued a decision which allowed China to impose annual sanctions on approximately \$3.6 billion worth of U.S. goods as the United States failed to remove anti-dumping duties. On 15 January 2020, the governments of China and the United States signed an Economic and Trade Agreement (the "**Phase I Agreement**"). Under the Phase I Agreement, the United States agreed to remove certain tariffs imposed on Chinese products and China promised to purchase additional goods and services from the United States. The parties expect to have further negotiations. However, it remains uncertain whether the Phase I Agreement will be abided by both governments and reduce trade tensions. If either party violates the Phase I Agreement, it is likely that the other party will take enforcement actions and trade tensions will escalate. Furthermore, China and the United States will likely need to make further concessions in order to end the trade war. The resolution of the trade war remains uncertain, and the lasting impacts any trade war may have on the

PRC economy and the PRC real estate industry remain uncertain. Should the trade war between the United States and China materially impact the PRC economy, the purchasing power of our customers in the PRC may be negatively affected. The U.S. government has recently made statements and taken certain actions beyond tariffs that may lead to changes to U.S. and international policies, which has led to greater uncertainties in the geopolitical situation in other parts of the world affecting China and Chinese companies.

In addition, the U.S. Department of Defense released a list of 11 Chinese companies (including the Company's controlling shareholder, Sinochem Group) under the National Defense Authorization Act for Fiscal Year 1999 on August 28, 2020, claiming that the companies are Communist Chinese military companies. The list was based on the U.S. government's intelligence, and determined that the companies therein are controlled by the Chinese military. The list is not an export control list (e.g. Entity List) or an economic sanctions list (e.g. SDN List) with effective restrictive measures. The Company's payment and collection of funds is conducted as usual.

***The implications of COVID-19 or an outbreak of other pandemics or epidemics has had, and may continue to have an adverse impact on the Company's operations and financial results.***

Since the beginning of 2020 there has been a developing outbreak of COVID-19, a virus causing, in certain circumstances, deadly respiratory tract infectious diseases. The world economy faces the uncertain impact of the outbreak of COVID-19 globally. The number of reported cases of COVID-19 worldwide, as well as the number of reported deaths as a consequence of COVID-19 worldwide, significantly exceed those observed during the Severe Acute Respiratory Syndrome ("SARS") epidemic that occurred from November 2002 to July 2003. In March 2020, COVID-19 was declared a global pandemic by the World Health Organisation. In response to the spread of COVID-19 across the globe and the danger posed by it, unprecedented measures have been taken by a significant number of countries, such as suspension of flights, introduction of lockdowns and closing of borders. The outbreak and the ensuing steps have affected the daily lives of millions of people, caused a disruption of global supply chains and, generally, have had, and are expected to continue to have, an adverse impact on macro-economic conditions. Reduced consumption, commercial activities and industrial production in the affected countries may severely disrupt their economies and the global supply chain and may result in recessions in these economies. The recent outbreak of COVID-19 and its spread worldwide is expected to introduce more uncertainty as it remains unknown whether the ongoing situation will improve and whether any effective containment of the spread of COVID-19 can be achieved, which may in turn result in protracted volatility in international markets and/or a global recession as a consequence of disruptions to travel and retail segments, tourism, and manufacturing supply chains. In particular, in February and March 2020 the COVID-19 outbreak caused stock markets worldwide to lose significant value and impacted economic activity in Asia and worldwide. A number of governments revised GDP growth forecasts for 2020 downward in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 may cause a prolonged global economic crisis or recession.

Due to the outbreak of COVID-19, the retail, tourism and hospitality industries have been hit seriously, COVID-19 has produced a negative impact on the hotel operations of the Company and the Company has seen significant declines in hotel occupancy and revenue per available room in the six months ended 30 June 2020. The Company expects that the performance of the Company's hotel operations and the commercial leasing and retail operations will also be negatively affected in the second half of 2020. In addition, the Company's operations, its customers and potential customers have been adversely affected by a slowdown in economic activity and have experienced disruptions caused by the outbreak, which in turn has had a negative impact on the Company.

The Company keeps assessing the implications of the outbreak of COVID-19. Any prolonged economic downturn or growth of the COVID-19 outbreak may materially and adversely affect the Company's business, financial conditions and results of operations. Further, any new pandemics or epidemics (including as a result of a reoccurrence of the outbreak of COVID-19) may have a similarly disruptive effect and, were they to occur, could negatively affect the Company's business, results of operations, cash flows and financial condition.

***The Company is exposed to credit risk arising from receivables and financing activities.***

The Company and its affiliates undertake a number of financing activities in the ordinary course of business. These activities include providing trade credit to customers, extending financing to suppliers in the form of advance payments, extending financing to producers through the arrangement of conversion contracts and entering into structured finance and hedging transactions. There are inherent credit risks associated with these financing activities, such as suppliers' failure to deliver the goods after the Company has provided advance payments or material quality problems with products delivered. Credit risks arising from financing activities may have a material impact on the Company's results of operations, financial condition and liquidity.

***The Company is exposed to currency and interest rate risks.***

A substantial portion of the Company's revenues, capital expenditures and operating expenses are denominated in Renminbi, the Company's acquisitions of assets and purchases of raw materials from outside of China are generally denominated in currencies other than the Renminbi. Furthermore, the Company is exposed to foreign exchange risks arising from various currency positions, primarily with respect to the U.S. dollar. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. A significant portion of the Company's international purchases and sales are denominated in U.S. dollars, while some of the costs, expenses and capital expenditures are incurred in other currencies including the Renminbi. Therefore, exchange rate fluctuations could adversely affect the Company's results of operations. The Company may acquire more assets or purchase more raw materials and manufacturing equipment from outside of China and incur additional foreign currency-denominated obligations. In particular, the Company will be required to make interest payments and other payments in foreign currencies. Any future exchange rate volatility relating to the Renminbi or any significant revaluation or depreciation of the Renminbi may have a material adverse effect on the Company's cash flows, revenue, earnings and financial position, and the value of any dividends payable to the Company by its PRC subsidiaries.

The Company's financing costs and, as a result, its business, results of operations and financial condition are affected by changes in interest rates. A substantial portion of the Company's borrowings are linked to benchmark lending rates published by the PBOC, which may raise lending rates in the future. The PBOC increased the one-year lending rate to 6.56% in July 2011 and most recently lowered the one-year lending rate to 4.35% in October 2015. The Company also has a substantial amount of borrowings which are denominated in U.S. dollars and on which it is exposed to interest rate fluctuations, including fair value interest rate risk in relation to its fixed-rate debt and cash flow interest rate risk in relation to variable-rate bank balances and borrowings. Any changes in interest rates may have a material adverse effect on the Company's business, results of operations and financial condition.

***Compliance with environmental requirements may be very costly, and the Company may be exposed to liability as a result of its handling of hazardous materials and commodities.***

The Company's operations are affected by extensive and changing environmental protection laws and other regulations, compliance with which may entail significant expenses for any of its business segments. Additional laws and regulations may be adopted, which could limit the Company's ability to do business and have a material adverse effect on its business, results of operations and financial condition.

The Company's real estate segment may discharge pollutants into the environment. The Company is subject to environmental protection and workplace safety laws and regulations in the countries and local areas where it operates, including those governing the labelling, use, transportation, storage, discharge and disposal of hazardous materials. These laws and regulations require the Company to implement procedures for the handling of hazardous materials and for operating in hazardous conditions, and they impose liability for the clean-up of any environmental contamination and the remedy of any workplace safety violations. Fines are imposed for violations of environmental laws, regulations or decrees and sometimes allow the relevant government or local authority to terminate any operation that fails to comply with orders requiring cessation or cure of activities causing environmental damage.

The Company has implemented measures to control pollution and hazardous conditions caused by its operations. However, environmental laws and regulations are subject to change at any time. Such changes may result in significant increases in regulatory compliance costs, including insurance costs. Changes in environmental requirements and significant adverse environmental events or accidents resulting from those hazardous substances may nevertheless have a material adverse effect on the Company's business, results of operations and financial condition.

***The Company's principal business, property development and hospitality, is conducted by Hong Kong Stock Exchange-listed companies, the activities of which must take into account the interests of their respective minority shareholders.***

The Company's principal operating business segments, property development and hotel operations, are conducted by Hong Kong Stock Exchange-listed entities, which have significant minority shareholding components that must be taken into account in managing these businesses. While, as at 30 June 2020, Jinmao (66.77%-owned by China Jinmao) and as at 31 August 2020, China Jinmao (35.15%-owned by the Company) are subsidiaries of the Company, the Company is obligated to observe the minority protection rules of the Hong Kong Stock Exchange and in the respective jurisdictions of incorporation of these subsidiaries.

***The Company's assets and operations are subject to a number of unforeseen circumstances, and its insurance coverage may be insufficient to cover losses arising out of such circumstances.***

The Company's business segments and assets are subject to a number of risks and hazards, including natural disasters such as earthquakes, floods, prolonged droughts, typhoons, acts of terrorism, war, human error, defective design or construction of its assets or the component parts thereof, and industrial actions by its employees. Any of these events could cause significant losses, costs or liabilities in excess of insurance coverage and could have a material adverse effect on the Company's business, results of operations and financial condition.

***The Company's risk management strategy may not be effective.***

The Company's businesses are affected by fluctuations in market prices for its products, the purchase price of raw materials consumed in operations, freight and shipping costs and foreign currency exchange rates. Sinochem Group and the Company have established an integrated risk management system through which they seek to manage these risks. However, the Company's strategy may not be successful in minimizing its exposure to these fluctuations. See "Business — Risk Management".

***Natural or other disasters could adversely affect the Company's business.***

Any future occurrence of natural disasters may materially and adversely affect the Company's business and results of operations. Natural disasters like earthquakes, floods and droughts in the places in which the Company operates may have an adverse impact on its business. There is no guarantee that any future occurrence of natural disasters, or the measures taken by the PRC government or the governments in other countries and regions in response to such disasters or outbreaks, will not seriously interrupt the business operations of the Company, which may have a material adverse effect on its business, results of operations and financial condition.

***The Company is subject to extensive taxation, which is subject to changes in regulation or enforcement over time.***

The Company is subject to extensive tariffs or taxes in China and other countries. Although the Company believes it is compliant with its tax obligations and has accrued appropriate reserves, including with respect to land appreciation taxes in its real estate business, the relevant tax authority may challenge the Company's tax computations or change the relevant tax regulations and exemptions or interpretations in a manner that may have a material adverse effect on to the Company's business, results of operations and financial condition.

***The Company may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.***

The Company may be involved in disputes with various parties, including partners, contractors, suppliers, employees and customers. Such disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management attention. In addition, the Company may have disagreements with regulatory bodies in the course of its operations, which may subject the Company to administrative proceedings and unfavourable decrees that result in pecuniary liabilities and cause delays or otherwise have a material adverse effect on the Company's business, results of operations and financial condition. See "Business — Legal Proceedings".

***The industry-related information contained in this Offering Circular may not be updated on a regular basis.***

The industry-related information and market data contained in this Offering Circular was derived, in part, from various government publications unless otherwise indicated. Each of the Company, the Issuer and Sinochem Group does not assume any obligation to update the industry-related information on a regular basis or upon each update of the Offering Circular. There is no assurance that the industry-related information contained in this Offering Circular will be the accurate, complete, or updated after initial publication of this Offering Circular. In addition, behaviour, preferences and trends indicated by the industry related information may not be reliable future indicators.



## Risks Relating to the Company's Real Estate Business Segment

The Company's real estate business segment consists of property development and hotel operations, which are conducted by China Jinmao and Jinmao, respectively, and their respective subsidiaries, joint ventures and affiliates. China Jinmao and Jinmao are both Hong Kong Stock Exchange-listed holding companies.

***China Jinmao's operations could be materially and adversely affected by government policies and regulatory measures designed to regulate the growth of the PRC real estate market.***

The real estate market in China is highly regulated and is affected by changes in government policies and regulatory measures affecting the property market, financial markets and related areas. In the past, the PRC government has adopted various policies and regulatory measures to curb or encourage perceived growth in the real estate market, particularly at times when the market experienced rapid growth.

Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes in such policies. The PRC government may adopt additional and more stringent industry policies, regulations and measures in the future and China Jinmao cannot assure holders of the Instruments when or whether the existing policies will be ceased or reversed.

For example, as a pilot reform, Shanghai and Chongqing started to charge property taxes in early 2011. It is reported that such pilot reforms may be introduced in more cities in China, according to the State Council in February 2013. If China Jinmao fails to adapt its operations to new policies, regulations and measures with respect to the real estate industry, or if such policy changes disrupt its business, reduce its sales or average selling prices, or cause China Jinmao to incur additional costs, China Jinmao's business prospects, results of operations and financial condition may be materially and adversely affected.

Pursuant to the *Notice on Further Advancing the Market-based Interest Rate Reform* (中國人民銀行關於進一步推進利率市場化改革的通知) promulgated by the PBOC on 19 July 2013, since 20 July 2013, the control on the lending interest rate for financial institutions was removed and the bottom limit of 0.7 times the benchmark lending rate was suspended. Financial institutions may determine the lending rate at their own discretion according to commercial principles. However, such notice mentioned that the floating band interest rate in respect of loans for personal housing will remain the same and unadjusted. In addition, the differential housing credit policies will continue to be strictly implemented.

On 30 March 2015, the PBOC, the Ministry of Housing and Urban-Rural Development of the PRC and the CBIRC jointly promulgated the *Notice on Matters concerning Individual Housing Loan Policies* (關於個人住房貸款政策有關問題的通知). This notice stipulated that if a household that already owns a home and has not paid off the relevant housing loan, applies for a commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment shall be 40%.

On 1 February 2016, the PBOC and the CBIRC jointly promulgated the *Notice on Adjusting the Matters concerning Individual Housing Loan Policies* (關於調整個人住房貸款政策有關問題的通知) to amend the above policy. The notice stipulates that except for purchases in the cities where more restrictive measures on house purchase have been implemented, the applicable down payment for a first-time purchase of residential property shall be no less than 25% (with fluctuation of 5% up or down) of the purchase price when a household finances the purchase with a mortgage loan. In addition, the applicable down payment shall be no less than 30% of the purchase price if a household already owns a home and the relevant housing loan has not been paid off.

China Jinmao is significantly affected by these government policies and regulatory measures. Any of the following could cause a decline in property sales volumes and average selling prices:

- contractionary monetary policy, including any significant rise in interest rates;
- adverse developments in credit or mortgage financing markets resulting from PRC government policies;
- significant increases in transaction costs as a result of changes in real estate transaction taxes, such as the recent announcement regarding the reinstatement of a business tax on residential property sales by individuals within five years of purchase;
- adverse changes in policies regarding the acquisition and/or ownership of real estate property;
- adverse changes in national or local government policies or practices regarding primary real estate sales agency and consultancy businesses or related fees and commissions; or
- any other adverse change in PRC government policies or regulations regarding the real estate industry.

***China Jinmao's property development and other operations are subject to extensive governmental regulation and, in particular, China Jinmao is susceptible to changes in policies related to the property markets in China.***

China Jinmao's operations are subject to extensive governmental regulation. As with other developers of PRC property, China Jinmao must comply with various requirements mandated by PRC laws and regulations, including policies and procedures established by local authorities designed to implement national laws and regulations. In order to develop and complete a property development, China Jinmao must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of property development and leasing, as well as for hotel operations, including, for example, land-use rights documents, planning permits, construction permits, presale permits and certificates of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions.

China Jinmao may encounter major problems in fulfilling the conditions precedent to the receipt of approvals. China Jinmao may not be able to adapt to new laws, regulations or policies with respect to the real estate industry in general or particular processes with respect to the issuance of such approvals. There may also be delays by administrative bodies in reviewing China Jinmao's applications and granting approvals. China Jinmao may also be subject to periodic delays in its property development projects due to building moratoria in any of the areas in which it operates or plans to operate.

If China Jinmao fails to obtain, or experience material delays in obtaining, required governmental approvals, or if a building moratorium is implemented at one or more of China Jinmao's project sites, the development and sale of China Jinmao's projects could be substantially disrupted. Furthermore, implementation of the laws and regulations by the relevant authorities, or the interpretation or enforcement of such standards, could require China Jinmao to incur additional operating or other costs, which could materially and adversely affect China Jinmao's business, financial condition and results of operations.



***China Jinmao relies on the performance of the property market in China, particularly in the Bohai Bay region (which includes the Beijing metropolitan region), the Pearl River Delta region, the Yangtze River Delta region and the Central China region.***

China Jinmao's growth has been partially driven by strong demand for properties in China, particularly in the Bohai Bay region (which includes the Beijing metropolitan region), the Pearl River Delta region, the Yangtze River Delta region and the Central China region, where a majority of China Jinmao's property development projects are located. As China Jinmao intends to focus its efforts in these four regions, China Jinmao will continue to depend on the growth and performance of the property markets in such regions.

Market demand, in these and other regions for residential and commercial properties and office space could be affected by various factors, many of which are beyond China Jinmao's control, including the general economic environment and any macroeconomic control measures implemented by the PRC government. There can be no assurance that demand will continue to grow or remain at previous levels in the future. Adverse developments in the supply and demand of properties or in property prices or rent levels in China, particularly in China Jinmao's key markets, could have a material adverse effect on the Company's business, financial condition, prospects and results of operations.

***The hotel industry depends on business and leisure travel, demand for and supply of hotel rooms and other factors outside China Jinmao's control.***

A number of factors, many of which are common to the hotel industry and are beyond China Jinmao's control, could affect China Jinmao's business, including the following:

- adverse economic conditions;
- dependence on business, commercial and leisure travellers and tourism;
- dependence on meeting and conference business;
- seasonality in travel patterns;
- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases (including COVID-19) and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where China Jinmao's hotels operate and where China Jinmao's customers live;
- increased competition and periodic oversupply of guest accommodation, which may adversely affect occupancy rates and room rates;
- increases in operating costs due to inflation, labour costs (including the impact of unionisation), workers' compensation and health-care related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their related consequences and other factors that may not be offset by increased room rates;

- changes in interest rates and in the availability, cost and terms of debt financing; and
- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

These factors could materially and adversely affect China Jinmao's hotel operations, which in turn would affect China Jinmao's business, financial condition and results of operations.

***China Jinmao's LAT provisions and prepayments may not be sufficient to meet its LAT obligations.***

All entities and individuals receiving net profits from the sale or transfer of state-owned land use rights, buildings and their attached facilities are required to pay Land Appreciation Tax ("LAT"). LAT is levied at progressive rates ranging from 30% to 60% of the appreciated value of such land use rights, buildings and facilities. Under current regulations, local tax authorities can formulate their own implementation rules relating to LAT settlement.

There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible expense items allowed under LAT regulations. This exemption is not available for sales of luxury residential properties, villas and commercial properties.

China Jinmao makes provisions for LAT based on its estimates of the full amount of applicable LAT payable in accordance with the requirements set forth in relevant PRC tax laws and regulations. However, China Jinmao only prepays a portion of such provisions each year as required by the local tax authorities. China Jinmao currently prepays an amount of LAT equal to 1% to 3.5% of the proceeds from pre-sales of its properties in the cities in which China Jinmao operates.

China Jinmao's LAT prepayments and provisions may not be sufficient to cover China Jinmao's LAT liabilities and the relevant tax authorities may not agree with the basis on which China Jinmao and its subsidiaries calculate their LAT liabilities. If the LAT provisions China Jinmao has made are substantially lower than the actual LAT amounts assessed by the PRC government, China Jinmao's business, prospects, financial condition and results of operations would be materially and adversely affected. There are uncertainties as to when the tax authorities will enforce the LAT collection or whether the LAT collection will be applied retrospectively to properties sold before the effective date of the LAT notice.

In addition, the State Administration of Taxation promulgated a notice in May 2010 requiring the LAT prepayment rate as applicable in different provinces and cities to be no less than 2% in East China, no less than 1.5% in Central and Northeast China, and no less than 1% in West China. For example, on 17 March 2011, the Beijing tax authority and Beijing Municipal Commission of Housing and Urban-Rural Development promulgated a circular on LAT prepayments, which provides that the maximum LAT prepayment rate is 5% (and the minimum rate is 2%) for properties (excluding certain "price controlled" housing (保障性住房)) for which property developers obtain pre-sale permits or sale confirmations after 17 March 2011.

Furthermore, on 30 March 2013, the Beijing tax authority and Beijing Municipal Commission of Housing and Urban-Rural Development promulgated a new circular on LAT prepayments, which provides that the maximum LAT prepayment rate is 8% (and the minimum rate is 2%) for properties (excluding certain "price controlled" housing (保障性住房)) for which property developers obtain pre-sale permits or sale confirmations after 30 March 2013.

The requirements of this circular were implemented starting on 31 March 2013 and amended on 15 June 2018. If local tax authorities increase the applicable prepayment rates pursuant to such notice, China Jinmao may have to prepay LAT at higher rates. These factors could materially and adversely affect China Jinmao's business, prospects, financial condition and results of operations.

***China Jinmao's business and financial condition may be adversely affected by disagreements or the termination of strategic relationships with local and overseas partners.***

China Jinmao frequently enters into strategic relationships and develop properties in cooperation with local partners in the PRC. China Jinmao also frequently enters into partnerships with strategic international partners such as Marriott and the Ritz-Carlton Group in the hotel operations business. As the flagship real estate development company of Sinochem Group, China Jinmao has been able to capitalise on Sinochem Group's network and resources to establish cooperative relationships with local partners, such as Shanghai Port, Shanghai Real Estate, Qingdao Urban Investment Group, Changsha Meixi Lake Industrial Corporation Ltd. and the Management Committee of Dahexi Pilot Zone in Changsha. China Jinmao may also from time to time enter into joint development arrangements with local PRC government for the purposes of land development or acquisition.

Any future disagreement with local partners (in connection with the scope or performance of their respective obligations for a project, for example) may affect China Jinmao's ability to develop or manage a property or cause China Jinmao to be subject to certain penalties in accordance with the terms of a project. China Jinmao's local and overseas partners may be unable or unwilling to perform their obligations under the cooperative arrangements, and disputes with China Jinmao's local or overseas partners or the early termination of China Jinmao's cooperative arrangements with them could materially and adversely affect China Jinmao's business, prospects, financial condition and results of operations.

***China Jinmao may require significant capital resources to fund land acquisitions and property developments.***

Property development is capital-intensive. China Jinmao's ability to secure sufficient financing for land acquisition and property development depends on a number of factors that are beyond its control, including market conditions in debt and equity capital markets, investors' perception of its securities, lenders' perception of its creditworthiness, the PRC economy and PRC regulations that affect the availability and finance costs for real estate companies.

Various PRC regulations restrict China Jinmao's ability to raise capital through external financing and other methods, including without limitation, the following:

- China Jinmao cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the purchase of land use rights;
- China Jinmao cannot borrow from a PRC bank for a particular non-residential property project unless China Jinmao funds at least 30% of the estimated total capital required for that project from its own capital;
- China Jinmao cannot borrow from a PRC bank for a particular project unless China Jinmao obtains the land-use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit for that project;

- PRC banks are restricted from granting loans for the development of certain luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located; and
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans.

In addition, the PRC government introduced measures, such as changes to commercial bank reserve requirements and lending sector restrictions, that may adversely affect China Jinmao's access to capital and financing.

Certain of China Jinmao's loan agreements contain, and any future loan agreements may contain, restrictive covenants that impose significant operating and financial restrictions on China Jinmao. These include restrictions on China Jinmao's ability to adjust its corporate structure, change the nature of its business, enter into merger agreements, and dispose of its assets, among other things. China Jinmao may also be required to maintain and satisfy certain financial ratios and other financial covenants, and there can be no assurance that China Jinmao will be able to meet these ratios or comply with such covenants in the future.

China Jinmao may not be able to renew its current credit facilities or obtain sufficient funding to develop future projects or meet other capital needs when required at a commercially reasonable cost or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit China Jinmao's ability to begin new projects or to continue the development of existing projects and increase China Jinmao's financing costs. For the year ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, China Jinmao's average financing cost (being the effective rate of interest paid by China Jinmao in respect of its indebtedness) was 5.1%, 4.9%, 3.5% and 4.2%.

***The property market in China is at an early stage of development and is volatile.***

The property market in China remains at an early stage of development, and social, political, economic, legal and other factors may affect the sector's development. For example, the lack of a mature and active secondary market for private properties and the limited amount of mortgage loans available to individuals in China may inhibit demand for residential properties.

China Jinmao depends on the growth of the urban middle and upper-middle classes in China. Its residential developments target residents with high levels of disposable income with demand for modern and high quality living conditions and the products and services it provides. A significant downturn in the PRC economy could adversely affect such demand as well as demand by corporations and other professional firms for China Jinmao's office properties.

The PRC property market is volatile and may experience undersupply or oversupply, as well as property price or rental income fluctuations. Central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the PRC national and local economies, and such economic adjustments may affect the real estate market in China. Central and local governments make policy adjustments and adopt new regulatory measures to control the overdevelopment in the real estate market in China. In recent years, the central and local governments have taken a variety of measures to discourage speculation in the residential property market and to increase the supply of affordable housing.

Such policies may lead to changes in market conditions, including price and rental income instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially and adversely affect China Jinmao's business, financial condition and results of operations.

There may be overdevelopment in the property sector in China in the future. Any future overdevelopment in the property sector in China may result in an oversupply of properties and a decrease in property prices and rental income, as well as an undersupply of available sites for future development and an increase in the cost of acquiring land in relevant markets, which could materially and adversely affect China Jinmao's business, prospects, financial condition and results of operations.

***China Jinmao's activities are subject to risks associated with the property development industry.***

China Jinmao intends to continue to focus on developing and operating high-end residential properties and commercial properties. Its property development activities involve acquiring development rights for large plots of land, many of which have existing structures and residents, from municipal and provincial governments. Acquiring these development rights, converting them into land use rights and committing the financial and managerial resources to develop the land involves significant risks.

Before a property development generates revenue, China Jinmao must make a variety of material expenditures, including acquiring development rights and constructing property development infrastructure. As a result, China Jinmao's current and future property development activities have in the past been exposed to, and may continue to be exposed to, the following risks:

- construction and other development costs for a development project which exceed original expectations or make completion of the project uneconomical;
- changes in property development opportunities resulting in lost deposits or inability to recover expenses;
- inability to complete construction of a property on schedule, or on budget, due to a variety of factors including shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, outbreaks of pandemics or epidemics (including COVID-19), labour disputes, disputes with contractors and subcontractors, accidents, changes in PRC government priorities and policies, changes in market conditions, delays in the relocation process, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other problems and circumstances, resulting in delays or increased expense and construction costs;
- delays or lower prices in the sale or leasing of developed properties, including as a result of the supply and demand of comparable properties, and the cyclical nature of the real estate industry in China; and
- fluctuations in occupancy rates, rent levels and sales prices for completed properties.

***China Jinmao faces intense competition.***

The property development industry in China is highly competitive, and China Jinmao faces competition from major domestic developers and, to a lesser extent, foreign developers, primarily from other countries or regions in Asia, including several leading developers from Hong Kong. Competition among property developers may increase the costs for land acquisitions and raw materials and

administrative costs for hiring or retaining qualified personnel, result in shortages of skilled contractors and an oversupply of properties, decrease property prices and rent levels, and slow the rate at which new property developments will be approved and/or reviewed by government authorities.

If China Jinmao cannot maintain a competitive position with respect to the acquisition of land, adapt to changing market conditions or otherwise compete successfully with China Jinmao's competitors, its business, financial condition and results of operations could be materially and adversely affected. In addition, China Jinmao faces intense competition as to its PRC property operation services business and hotel services business. Competition in these businesses is based on quality of services, brand name recognition, geographic coverage, commission rates and range of services.

Unlike the property development business, these businesses generally have a lower entry barrier and do not require significant capital commitments. If China Jinmao fails to compete effectively, its property operation services business, property agency services business and hotel services business may suffer. In addition to competition from traditional property agency service providers, new technologies have led to new ways of providing property agency services, as well as new entrants and competitors in the property development industry in China.

***The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing, which could affect China Jinmao's ability to deploy the funds raised in the offering in China Jinmao's PRC real estate business.***

On 28 April 2013, SAFE issued the Notice of State Administration of Foreign Exchange on Promulgation of the Administrative Measures on Registration of Foreign Debt (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which was amended on 4 May 2015. 26 April 2016 and 9 June 2016. The notice stipulates the following principles:

- foreign debt registrations shall not be processed for real estate enterprises with foreign investment that have obtained approval certificates on or after 1 June 2007 and have registered with MOFCOM,
- real estate enterprises with foreign investment which were incorporated before 1 June 2007 shall still have the right to incur foreign debts within the statutory limit. This limit equals the lesser of (i) the outstanding balance of total investment and registered capital prior to the increase or (ii) the outstanding balance of total investment and registered capital after the increase, and
- real estate enterprises with foreign investment which have not obtained a land use right certificate or for which the project capital has not reached 35% of the project's total investment may not incur foreign debt. SAFE will not process the foreign debt registration and approval for foreign debt settlement of such real estate enterprises.

On 15 March 2019, the Standing Committee of the NPC promulgated the Foreign Investment Law of the People's Republic of China (《外商投資法》), which came into effect on 1 January 2020, pursuant to which registration with MOFCOM of enterprises with foreign investment is no longer required. However, a foreign investment information report system is established. Foreign investors or foreign-funded enterprises shall submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system.



On 14 September 2015, NDRC issued the Circular Regarding Advancing the Management and Reform of the Registration System for Foreign Debt Issuance by Enterprises (國家發展改革委《關於推進企業發行外債備案登記制管理改革的通知》). The circular requires that a PRC enterprise or its controlled non-PRC enterprise first register with the NDRC before its issuance or incurrence of any foreign debt.

These regulations restrict China Jinmao from injecting funds raised offshore into China Jinmao's PRC project companies by way of shareholder loans. China Jinmao cannot assure holders of the Instruments that it will be able to obtain these government registrations or approvals on a timely basis, if at all. Without having the flexibility to transfer funds to PRC subsidiaries, China Jinmao's liquidity and ability to fund and expand its business in the PRC may be adversely affected.

On 11 May 2018, NDRC and MOF issued the *Notice on Improving the Market Restraint Mechanism and Strictly Preventing Foreign Debt Risks and Local Debt Risks* (國家發改委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知), which imposes more stringent requirements for enterprises which intend to issue mid-to-long term foreign debt, including without limitation such enterprises shall fully demonstrate the necessity, feasibility, economic and financial sustainability for the debt issuance, and such enterprises are strictly prohibited from requiring or accepting the guarantee or assumption of debt repayment liability for their market-oriented financing activities in various names by local governments and their subordinate departments.

On 9 July 2019, the NDRC issued the Notice Regarding the Application Requirements in Relation to the Filing and Registration of Foreign Debt Issuance by Real Estate Enterprises (國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知) (the “**778 Notice**”), which stipulates that real estate enterprises issuing foreign debt may only use the proceeds therefrom to refinance medium- or long-term foreign debt which is scheduled to mature within the next year. The 778 Notice also requires the real estate enterprises to specify certain details of the foreign debt to be refinanced in the application material for the registration of foreign debt, including the size, the remaining tenor and the NDRC foreign debt registration status of such existing foreign debt. Real estate enterprises issuing foreign debt must also submit a Commitment Letter on the Truth of the Foreign Debt Issuance and provide further disclosure on the use of proceeds in offering documents for such issuances, such as the prospectus.

In addition, although the establishment of foreign invested companies and increasing registered capital in existing foreign invested companies do not require approvals or registrations from MOFCOM according to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) issued by the MOFCOM and State Administration for Market Regulation on 1 January 2020, due foreign investment information reporting with MOFCOM or its local counterparty is still required, which still may entail delays.

Furthermore, the PRC government may introduce new policies that further restrict China Jinmao's ability to deploy, or that prevent China Jinmao from deploying, in China funds raised outside of China. Therefore, China Jinmao may not be able to use all or any of the capital that China Jinmao may raise outside China to finance its projects in a timely manner or at all.

***The terms on which residential mortgages are available in China may affect China Jinmao's sales.***

A vast majority of China Jinmao's property purchasers rely on mortgages to fund their purchases. Fluctuations in interest rates may significantly increase the cost of mortgage financing of properties. The PBOC increased the benchmark one-year lending rate two times in 2010 and three times in 2011. In 2012, the PBOC decreased the one-year lending rate twice. In 2014, the PBOC decreased the benchmark one-year lending rate once. The PBOC decreased the benchmark one-year lending rate five times in 2015.



As of the date of this Offering Circular, the benchmark one-year lending rate is 4.35%. Fluctuations in interest rates will increase the cost of mortgage financing for China Jinmao's potential customers, and as a result, China Jinmao may experience lower demand for China Jinmao's properties. In addition, the PRC government and commercial banks may increase down payment requirements, impose other conditions or otherwise change the regulatory framework or lending policies in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

Under current PRC laws and regulations, purchasers of residential properties with a unit floor area of less than 90 sq.m. generally must pay at least 20% of the purchase price of the properties before they can finance their purchases through mortgages. In June 2006, the PRC government increased the minimum amount of down payment to 30% of the purchase price for first-time home owners if such property has a unit floor area of 90 sq.m. or more.

In September 2007, for second-time home buyers that use mortgage financing, the PRC government increased the minimum down payment to 40% of the purchase price, and further increased the minimum down payment to 50% in April 2010 and 60% in January 2011, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate.

In March 2015, the PRC government reduced the minimum down payment to 40% of the purchase price for second-time home owners who purchase ordinary residential properties for their own use. The minimum down payment for commercial property buyers has increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark lending interest rate and maximum maturities of no more than 10 years.

In May 2010, the Ministry of Housing and Urban-Rural Development (previously the Ministry of Construction), PBOC and the CBIRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans.

According to a notice jointly issued by PBOC and CBIRC on 29 September 2010, the minimum down payment was raised to 30% for all first home purchases and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income.

The PRC government reduced the minimum down payment back to 25% (with fluctuation of 5% up or down) of the purchase price for first-time home purchases and 30% of the purchase price for second-time home owners purchasing residential properties (except for those cities that have implemented more restrictive measures on house purchases) in February 2016. However, the relatively high down payment requirement and other conditions may still make mortgage financing unavailable or unattractive to potential property purchasers, resulting in lower demand for purchasing China Jinmao's properties.

In line with industry practice, banks typically require China Jinmao to guarantee the obligations of purchasers of its property to repay the mortgage loans issued by such bank on the property. For more information, see "— China Jinmao guarantees the mortgages provided to the purchasers of the properties it develops and consequently is liable to the mortgagee banks if its purchasers default on their mortgage payments".

If changes in laws, regulations, policies or practices prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties (if available), it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre-sales. These difficulties may inhibit pre-sales, which could materially and adversely affect China Jinmao's business, prospects, financial condition and results of operations.

***China Jinmao guarantees the mortgages provided to the purchasers of the properties it develops and consequently is liable to the mortgagee banks if its purchasers default on their mortgage payments.***

China Jinmao assists purchasers of properties in obtaining mortgage loans from domestic banks. In accordance with market practice, domestic banks require China Jinmao to provide short-term guarantees for these mortgages. Substantially all of these guarantees are discharged upon any of (i) the issuance of the property ownership certificate and the property encumbrance certificate (房屋他項權證), which generally takes place within two to three years after China Jinmao delivers possession of the relevant property to the purchasers; (ii) the settlement of the relevant mortgage loans between banks and purchasers of China Jinmao's properties; or (iii) the completion of advance registration of the mortgage, which is generally conducted when the purchasers apply for mortgage loans.

If a purchaser defaults under the mortgage loan and the mortgagee bank calls the guarantee, China Jinmao must repay all debt owed by the purchaser to the mortgagee bank under the loan, in which case the mortgagee bank will typically assign to China Jinmao its rights under the loan and the mortgage and China Jinmao will have full recourse to the property. If China Jinmao fails to do so, the mortgagee bank may auction the underlying property and recover any additional amounts outstanding from China Jinmao as the guarantor of the mortgage.

In line with industry practice, China Jinmao does not conduct independent credit checks on its customers but relies instead on the credit checks conducted by the mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions.

If a default occurs and China Jinmao's relevant guarantee is called, China Jinmao's business, prospects, financial condition and results of operations may be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if China Jinmao is unable to sell the properties due to unfavourable market conditions or other reasons.

***China Jinmao may not be able to obtain sites that are suitable for high-end residential and commercial property developments at commercially attractive prices or at all.***

Land prices have increased significantly in the PRC in recent years and may increase in the future. To maintain and grow China Jinmao's business, China Jinmao will be required to replenish its land bank with suitable sites at reasonable costs.

China Jinmao's ability to identify and acquire suitable sites is subject to a number of factors that are beyond its control. The PRC government controls land supply in the PRC and regulates land sales in the secondary market. As a result, PRC government policies over land supply affect China Jinmao's ability to acquire land use rights for sites it identifies for development and the costs of any acquisition.

The PRC central and local governments may regulate the means by which property developers, including China Jinmao, obtain land sites for property developments. See “— China Jinmao's property development and other operations are subject to extensive governmental regulation and, in particular, China Jinmao is susceptible to changes in policies related to the property markets in China”. In addition, there may not be land available in attractive locations in China Jinmao's target cities for new development or re-development.

China Jinmao may not be able to identify and acquire sufficient and appropriate sites at reasonable prices, or at all. Any inability to identify and acquire sufficient and appropriate sites for China Jinmao's land reserves would result in uncertainties in its future development schedules, which in turn would have a material adverse effect on its future growth prospects, profitability and profit margins.

***China Jinmao is subject to legal and business risks if its subsidiaries fail to obtain or renew its qualification certificates.***

Property developers in the PRC must obtain valid qualification certificates to engage in property development in the PRC. Newly established developers must first apply for a temporary qualification certificate, which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must be obtained. Property developers of different grades are subject to different limitations on scale of development in respect of their projects.

In reviewing applications, the relevant authority generally considers the property developer's property development investments, history of property development, quality of property construction, expertise of the developer's management, and whether the property developer has any illegal or inappropriate operations. Each of China Jinmao's subsidiaries that engages in property development in the PRC is responsible for obtaining its own qualification certificate. Formal qualification certificates are subject to renewal on an annual basis. Government regulations require developers to fulfill all statutory requirements before obtaining or renewing their qualification certificates.

If any one of China Jinmao's project companies cannot meet the requirements for obtaining or renewing its qualification certificate, that company will be given a cure period within which it must rectify any deficiency or non-compliance with such requirements, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified time frame could result in the revocation of any qualification certificate and the business license of such company.

China Jinmao cannot assure holders of the Instruments that all of its subsidiaries will be able to pass the annual verification of the qualification certificates or obtain or renew formal qualification certificates in a timely manner, or at all, as they expire. If any of China Jinmao's subsidiaries is unable to obtain or renew its qualification certificate, such company may not be permitted to continue its operations, which could materially and adversely affect China Jinmao's business, prospects, financial condition and results of operations.

***China Jinmao may not be able to obtain land use right certificates for certain land parcels held for future development and may be subject to stricter payment terms for land use rights with respect to land it acquires as a result of any additional restrictive regulations promulgated by the PRC government.***

As of the date of this Offering Circular, China Jinmao has entered into land grant contracts for certain land parcels but have not yet obtained the land use right certificates for such land parcels. China Jinmao may not be able to obtain land use right certificates with respect to these land parcels in a timely manner, or at all. If China Jinmao fails to do so, it may not be able to acquire new replacement land on terms acceptable to China Jinmao, or at all, which would have a material adverse effect on China Jinmao's business, prospects, financial condition and results of operations.

On 28 September 2007, the MNR amended the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定), effective 1 November 2007. This regulation provides, among other things, that property developers must pay land grant fees in full according to the provisions of the relevant land grant contract for all land parcels under contract before they can receive the land registration and land use right certificates. As a result, effective 1 November 2007, property developers are not allowed to bid for a large piece of land,

make partial payment, and then apply for land registration and a land use right certificate for the corresponding portion of land in order to commence development, which had been the past practice in many Chinese cities.

On 18 November 2009, five government authorities, including the Ministry of Finance and the MNR, issued the Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants (關於進一步加強土地出讓收支管理的通知) to regulate the management of income and expenditures on land grants and curb excessive increases in land prices. The notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the remaining balance in installments within one year.

On 8 March 2010, the MNR issued the Notice on Further Increasing the Supply and Strengthening the Supervision of Land for Property Development Purposes (國土資源部關於加強房地產用地供應和監管有關問題的通知), which reiterates and reinforces certain measures on land supply and land use, such as requiring the execution of a land grant contract within 10 business days after completing the tender, auction or listing-for-sale process. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period of time.

On 19 July 2012, the MNR and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the Urgent Notice to Further Tighten Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知). The notice states that local governments are to secure residential land supplies, especially land to be used for the development of government-subsidised residential units, and emphasises that the land grant contract shall be concluded within 10 business days following the completion of the land grant. The notice also requires a down payment equal to 50% of the land grant fee, with the remaining balance payable in installments within one year.

As a result, property developers, including China Jinmao, must maintain a higher level of working capital and may be restricted in their ability to expand their land reserves as planned. In addition, the PRC government may adopt additional regulations to impose stricter payment terms for land acquisition by property developers. If this occurs, China Jinmao's cash flow position, financial condition or business plans could be materially and adversely affected.

***China Jinmao's results of operations and operating cash flow may vary significantly from period to period.***

China Jinmao's results of operations and operating cash flow may vary significantly from period to period, due to a number of factors, including the timing of its property development projects, the timing of the sale of properties that it has developed, its revenue recognition policies and any volatility in expenses such as raw material costs. The overall schedules of China Jinmao's property development and the number of properties that it can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement and construction.

The sale of properties China Jinmao develops is subject to general market and economic conditions in the areas where it conduct business and the level of acceptance of China Jinmao's properties by prospective customers. China Jinmao recognises revenue upon the completion and delivery of the properties to purchasers, which may typically take up to two years after the commencement of pre-sales. Therefore, in periods in which it pre-sells a large aggregate gross floor area ("GFA"), it may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period.

In addition, China Jinmao's trade receivables were RMB2,312 million (US\$327 million) as at 30 June 2020 and any inability to collect such trade receivables on a timely basis will adversely impact its cash flow position. Furthermore, its business depends on obtaining adequate supplies of raw materials and is subject to fluctuations in the market prices of raw materials.

The prices that China Jinmao pays for raw materials may increase due to increased industry demand, inflation, higher fuel and transportation costs and other factors. China Jinmao may continue to experience significant fluctuations in revenue and operating cash flow from period-to-period. China Jinmao therefore believes that period-to-period comparisons of its operating results may not be as meaningful as they would be for a company with more stable recurring revenue.

***China Jinmao's financial condition, profit margins and cash flows may be affected by the mix of development projects that it undertakes.***

China Jinmao's financial condition, profit margins and cash flows may be affected by the mix of development projects that it undertakes. Since 2011, China Jinmao has been engaged in primary land development as well as the development of residential properties. As at 30 June 2020, China Jinmao was engaged in 159 major city and property development projects at different stages of development at sites located in Beijing, Shanghai, Suzhou, Hangzhou, Guangzhou, Changsha, Qingdao, Lijiang, Chongqing, Nanjing, Changshu, Ningbo, Tianjin, Foshan, Shenzhen, Zhengzhou, Wuhan, Hefei, Xuzhou, Kunming, Dongguan, Quanzhou, Changzhou, Nantong, Zhuzhou, Kaifeng, Huzhou, Shaoxing, Taizhou, Guiyang, Jinan, Fuzhou, Wenzhou, Zhengzhou, Chengdu, Nanchang, Zhangjiakou, Baoding, Jinhua, Sanya, Shantou, Weihai, Weifang, Yueyang, Zhuhai, Xiamen, Jiaxing, Xi'an, Taiyuan, Yantai and Wuxi. Furthermore, as at 30 June 2020, China Jinmao was engaged in 7 primary land development projects: Changsha Meixi Lake International New City Project Phase I, Changsha Meixi Lake Primary Land Development Project Phase II, Changsha Meixi Lake New City Project Phase II, Nanjing Qinglong Mountain International Ecological New City Project, Ningbo Life Science City Project, Shanghai Window Smart Science City Project and Zhengzhou Erqi District Mazhai New City Project. China Jinmao's primary land development projects generally require greater capital expenditures and result in higher inventories than its residential property development projects.

Furthermore, because of the comparatively long period of time taken to develop primary land projects, it may take longer to realise revenue from investments in these projects as compared to residential development projects. Although China Jinmao does not plan to change its business direction, any increase in primary land development projects could adversely affect its profit margins and cash flows.

***China Jinmao's profitability may be affected by the periodic revaluation of its investment properties required by HKFRS.***

China Jinmao holds certain investment properties for lease to commercial tenants. It must reassess the fair value of its investment properties on each reporting date for which it issues consolidated financial statements. China Jinmao's valuations are based on market prices or alternative valuation methods, such as discounted cash flow analysis based on estimated future cash flows. In accordance with HKFRS, China Jinmao must recognise changes to the fair value of its properties as a gain or loss (as applicable) in its consolidated statements of comprehensive income.

The recognition of any such gain or loss reflects unrealised capital gains or losses on China Jinmao's investment properties on the relevant reporting dates and does not generate any actual cash inflow or outflow. The amount of revaluation adjustments have been, and may continue to be, significantly affected by prevailing property market conditions and may be subject to market fluctuations.

The fair value of China Jinmao's investment properties may decrease in the future. Any decrease in the fair value of China Jinmao's investment properties will adversely affect its profits.

***The illiquid nature of, and the lack of alternative uses for, investment properties could limit China Jinmao's ability to respond to adverse changes in the performance of its properties.***

Investments in properties, in general, are relatively illiquid compared to many other types of investments. As a result, China Jinmao's ability to sell one or more of its investment properties in response to changing economic, financial and investment conditions promptly, or at all, is limited. Valuations of investment properties as recorded on China Jinmao's consolidated balance sheet are not a prediction of the actual value it may achieve from the sale of such properties in a public market transaction.

Unforeseen changes relating to the properties, market conditions or otherwise could significantly affect the value of investment properties. China Jinmao cannot assure holders of the Instruments that it will be able to sell any or all of its investment properties at prices equal to their valuations on its balance sheet or otherwise on terms satisfactory to it, or at all.

China Jinmao cannot predict the time needed to find a purchaser and to complete the sale of a property held or planned to be held for investment purposes. Moreover, should China Jinmao decide to sell a property subject to a tenancy agreement, it may have to obtain consent from or pay termination fees to its tenant.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures.

In particular, China Jinmao may be required to expend funds to maintain properties, correct defects or make improvements before a property can be sold and it may not have sufficient funds available for such purposes. These factors and any others that impede China Jinmao's ability to respond to adverse changes in the performance of its investment properties could adversely affect its ability to retain tenants and compete against its competitors and materially and adversely affect its business, prospects, financial condition and results of operations.

***China Jinmao may not be able to generate adequate returns on its properties held for long-term investment purposes.***

Property development is subject to varying degrees of risk. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximising yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties.

The ability to eventually dispose of investment properties also depends on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and costs resulting from maintenance, repair and re-letting.



***China Jinmao's business, prospects, financial condition and results of operations may be materially and adversely affected by increases in the cost of labour and construction materials.***

Construction and development costs account for the majority of China Jinmao's cost of sales and are two of the significant factors affecting China Jinmao's business, prospects, financial condition and results of operations. In general, China Jinmao's labour and construction materials costs are included in the contract fee payable to its contractors, who are generally responsible for procuring the required labour and construction materials. Nonetheless, China Jinmao agrees to bear certain of the increased costs when the prices of the labour and construction materials exceed certain thresholds.

As wages for construction workers and the prices of construction materials and building equipment have substantially increased due to the rapid growth in the property development industry in recent years in the PRC, China Jinmao believes this will help it limit project cost overruns because it is not required to increase the contract fee or re-negotiate other terms in case of significant fluctuations of wages and construction materials prices. However, China Jinmao cannot assure holders of the Instruments that it will be able to enter into contracts with similar pricing terms in the future, which will, in part, be affected by market practices which are beyond its control.

There can be no assurance that China Jinmao's contractors will actually complete their contract performance without any fee adjustment, or at all, or that China Jinmao can find replacement contractors at the same fee if wages and construction materials prices increase. Should China Jinmao's contractors fail to perform their obligations under a respective contract as a result of increases in labour costs or construction materials prices or otherwise, China Jinmao may incur significant litigation costs and replacement costs, which would materially and adversely affect its business, prospects, financial condition and results of operations.

Because it normally takes years to complete a property development project, China Jinmao often enters into multiple contracts sequentially for different phases or sub-phases of a project, which could have different unit fees because of the fluctuations of wages and construction materials prices. If China Jinmao is unable to pass on any increase in the cost of labour and construction materials to either its contractors or its customers, its results of operations and financial condition may be adversely affected by the volatility of the cost of labour and construction materials.

***China Jinmao relies on independent contractors.***

China Jinmao engages independent contractors to provide various services, including construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. China Jinmao generally selects contractors through public tenders.

China Jinmao invites selected contractors to tender bids according to their reputation for quality, track record and references, and supervise the construction progress once the contract is awarded. However, China Jinmao cannot assure holders of the Instruments that the services rendered by any of these contractors will always be satisfactory or match its requirements for quality.

Although China Jinmao has not experienced any material problems of delay or incompleteness, it cannot assure holders of the Instruments that its properties under development or properties held for future development will be completed on time, or at all. If China Jinmao's contractors cannot deliver satisfactory services due to financial or other difficulties, China Jinmao might incur additional costs and suffer reputational harm, which may materially and adversely affect China Jinmao's business, prospects, financial condition and results of operations.



***China Jinmao may not be able to complete its property development projects on time or at all.***

Property development projects require substantial capital expenditures prior to and during the construction period. One, two or several years may elapse before a project generates positive cash flows through pre-sales or sales. The timing and costs involved in completing a development project can be adversely affected by many factors, including:

- delays in obtaining licenses, permits or approvals as required by government authorities;
- changes in government policies or in applicable laws or regulations;
- delays in or increased costs of relocation of existing site occupants or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- disputes with or delays caused by China Jinmao's contractors or sub-contractors;
- delays in the construction of supporting infrastructure or completing land clearing work by the local government authorities;
- adverse weather conditions and natural disasters, including earthquakes, ice storms and other natural hazards;
- changes in market conditions;
- unforeseen engineering, design, environmental, structural or geographic problems;
- discovery of historic and cultural relics at the construction site; and
- widespread diseases or epidemics, including COVID-19, Severe Acute Respiratory Syndrome, H5N1 or H7N9 flu, H1N1 flu and other diseases.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in increased costs, harm to China Jinmao's reputation, loss of or delay in recognising revenues and lower returns. In addition, if China Jinmao fails to complete a property that it has pre-sold by the agreed delivery time, it will typically be liable to the purchasers for their losses and such purchasers may seek compensation for late delivery pursuant to the pre-sale contracts or PRC laws and regulations. If China Jinmao's delay extends beyond a specified period, its purchasers may terminate the pre-sale contracts and make a claim for damages.

China Jinmao may experience delays in completion or delivery in the future and it may be subject liabilities for any such delays. Any delays or other issues China Jinmao encounters may disrupt its project schedules and result in violation of the applicable land regulations or a breach of the relevant land grant contracts. This could materially and adversely affect China Jinmao's business, prospects, financial condition and results of operations and subject it to various penalties, including forfeiture of land.

In addition, regulatory changes, competition, inability to procure governmental approvals or required changes in project development practices could occur at any stage of the planning and development process. China Jinmao may not be able to complete projects that it is developing or plan to develop and as a result may become liable to purchasers of the pre-sold units for losses suffered by them.

***The construction business and the property development business are subject to claims under statutory quality warranties.***

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property developers in the PRC must provide certain quality warranties for the properties they develop or sell. China Jinmao is required to provide these warranties to its customers. China Jinmao may sometimes receive quality warranties from its third party contractors with respect to its development projects.

If a significant number of claims are brought against China Jinmao under its warranties and if China Jinmao is unable to obtain reimbursement for such claims from third party contractors in a timely manner or at all, China Jinmao could incur significant expenses to resolve such claims or face delays in correcting the related defects. This could in turn harm China Jinmao's reputation and materially and adversely affect its business, prospects, financial condition and results of operations.

***China Jinmao is exposed to risks relating to pre-sale of properties, and changes in laws and regulations with respect to pre-sale of properties may materially and adversely affect its business, prospects, financial condition and results of operations.***

China Jinmao depends on proceeds from the pre-sale of properties as an important source of funding for its property projects. Under PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of properties and may use pre-sale proceeds only to finance the development of such properties. Local governments in major cities in the PRC, including Beijing, Tianjin and Qingdao, have promulgated specific measures on the use of pre-sale proceeds.

Under these measures, developers are required to deposit all or a specified percentage of their presale proceeds into a supervised bank account and are permitted to use pre-sale proceeds only after reaching particular milestones in the construction process. Such restrictions on the use of pre-sale proceeds may affect China Jinmao's cash flows and require China Jinmao to obtain alternative sources of funding for its business.

Changes in such laws and regulations that restrict or ban the pre-sale practice, such as imposing additional conditions for obtaining a pre-sale permit or further restrictions on the use of pre-sale proceeds, or otherwise may materially and adversely affect China Jinmao's cash flows and require China Jinmao to obtain alternative sources of funding for its business.

Failure to obtain alternative funding at a low cost, or at all, may materially and adversely affect China Jinmao's business, prospects, financial condition and results of operations. In addition, under current PRC laws and regulations and pursuant to pre-sale contracts entered into with purchasers of China Jinmao's properties, China Jinmao is liable for potential breaches of the terms of the pre-sale contracts. See "— China Jinmao may not be able to complete its property development projects on time or at all".

A purchaser may also terminate a contract with China Jinmao if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. If a substantial number of purchasers claim against China Jinmao for breach of contract or terminate their pre-sale contracts with China Jinmao, China Jinmao's business, prospects, financial condition and results of operations may be materially and adversely affected.

***China Jinmao is party to master agreements with PRC government entities which may not be implemented as agreed.***

China Jinmao may enter into master agreements with PRC government entities which are subject to certain rules. For example, in February 2015, China Jinmao successfully obtained the primary development rights to the Nanjing Jiangning Shangfang City Centre Shanty Town Renewal Project. China Jinmao would be in charge of land requisition, compensation and resettlement, construction and other related subsequent developments within the area, which has a site area of approximately 3.92 million sq.m. with a planned construction area of approximately 3.80 million sq.m.

In September 2018, China Jinmao and the government of Fenghua District, Ningbo entered into a cooperation agreement for the development of the Ningbo Life Science City project. The project spans across an area of approximately 3.9 square kilometers and has a site area of approximately 5,934 mu. Upon completion, the GFA of the entire development will be approximately 4.76 million sq.m.

Notwithstanding the entry of any master agreement, China Jinmao may still be required by PRC laws and regulations to go through the bidding, auction or listing-for-sale process with respect to the land to be developed in connection with any such agreement. If successful, China Jinmao may be required to enter into a land grant contract and pay the relevant land premium before it may obtain the land use right certificate relating to such land. China Jinmao cannot assure holders of the Instruments that these or any other master agreements will be implemented as agreed or that it will be successful in securing the land grant contract and obtaining the land use right certificate in respect of the land developed in connection with these or any other projects.

There are risks with respect to the enforcement of these and other master agreements, particularly in light of their relatively long execution period (the land will only be held for bidding, auction or listing-for-sale after preliminary development by the project company), and potential changes in PRC government policies. The bidding, auction or listing-for-sale with respect to any master agreement may not be successful, and the relevant PRC government policies, including the manner in which such agreements are implemented, may also change.

Furthermore, there may be modifications to these and other agreements as to terms that are favourable to China Jinmao, including changes in the price of the land use rights for the land in the project. In addition, the law and practice in relation to enforcement of contracts and master agreements against PRC government entities involve uncertainties and China Jinmao cannot assure holders of the Instruments that such agreements can be enforced as contemplated or at all.

China Jinmao cannot assure holders of the Instruments that title to the land subject to a master agreement and the relevant land grant contract can be obtained. If a master agreement or the land grant contract is not implemented as agreed, China Jinmao's business, financial condition, results of operation and prospects could be materially and adversely affected.

## **Risks Relating to the PRC**

***Political and economic policies of the PRC government could affect the Company's business, results of operations and financial condition.***

A significant portion of the Company's business assets and operations are located in China. As a result, the Company's business, results of operations and financial condition are subject to the political, economic and social conditions, laws, regulations and policies in China. The economy of China differs from the economies of most developed countries in a number of respects, including:

- the structure;
- the level of government involvement;
- the level of development;
- the level of capital reinvestment;
- the control of capital reinvestment;
- the control of foreign exchange; and
- allocation of resources.

While the PRC economy has generally experienced significant growth in the past four decades, growth has been uneven, both geographically and among various sectors of the economy, and the PRC economy may not be able to sustain its current growth rate. If the PRC economy experiences a decrease in growth rate or a significant downturn, the Company's business, results of operations and financial condition could be materially and adversely affected.

***The legal system in China is less developed than in certain other countries.***

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have limited precedential value. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Company may not be aware of any violation by it of these policies or rules until after such violation. In addition, litigation in China may be protracted and may result in substantial costs. The Company cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws, which could have a material adverse effect on the Company's business, results of operations and financial condition.

***Under the Enterprise Income Tax Law, either the Company or the Issuer may be classified as a "resident enterprise" of China. Such classification could result in unfavourable tax consequences to the Company, the Issuer and Holders of the Instruments.***

Under the Enterprise Income Tax Law (the "EIT Law"), an enterprise established outside of China with a "de facto management body" within China is deemed a "resident enterprise", meaning that it is treated in a manner similar to a PRC enterprise for enterprise income tax purposes. Dividends paid from one resident enterprise to another may qualify as "tax-exempt income". The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 and amended on 29 December 2017,

provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with a “*de facto* management body” located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China.

In January 2014, the State Administration of Taxation issued a Circular on the Determination of PRC Tax Resident Enterprise Subject to Criteria of “De Facto Management Body”, which requires a Chinese-controlled offshore-incorporated enterprise that falls within the criteria of “*de facto* management body” to make an application for the classification as a “resident enterprise”, which in turn will be confirmed by the province-level tax authority.

The Company and the Issuer are currently not treated as PRC resident enterprises by the relevant tax authorities. There is uncertainty as to whether the Company or the Issuer will be treated as a PRC resident enterprise for purposes of the EIT Law. Since substantially all of the Company’s and the Issuer’s management is currently based in China, the Company cannot assure holders of the Instruments that neither it nor the Issuer will not be deemed to be a “resident enterprise” under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on its global income in the future. If the Company and the Issuer are not considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on the Instruments and payments under the Guarantee to non-PRC resident Holders will not be subject to PRC withholding tax.

If the Company or the Issuer is treated as a PRC resident enterprise for purposes of the EIT Law, the interest the Company or the Issuer pays in respect of the Instruments or Guarantee may be subject to PRC withholding tax at a rate of 10% if paid to a non-PRC resident enterprise Holder and 20% if paid to a non-PRC resident individual Holder, and any gain a Holder may realise from the transfer of the Instruments, may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at a rate of up to 10% in the case of a non-PRC resident enterprise Holder and 20% in the case of a non-PRC resident individual Holder (in each case unless an applicable treaty provides otherwise), which may materially and adversely affect the value of an investment in the Instruments.

***The issuance of the NDRC Circular and the establishment of the enterprise foreign debt scale thereunder are recent developments and their interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Instruments.***

According to the NDRC Circular issued by the NDRC which came into effect on 14 September 2015, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium-to-long term loans issued or incurred outside the PRC with the NDRC prior to the issuance of securities or loans, and report the particulars of the relevant issuance within 10 working days upon completion of each issuance. Furthermore, on 17 April 2020, the NDRC issued the Registration Certificate of Enterprise Foreign Debt (企業借用外債備案登記證明) pursuant to which the NDRC granted a quota to the Guarantor, exempting it from the registration requirements on a deal-by-deal basis as long as the debt securities or loan incurred outside of the PRC are within the annual quota granted, even though the post-issuance reporting with the NDRC is still required and such reporting shall be submitted within 10 working days.

The issuance of the NDRC Circular and the registration of the enterprise foreign debt scale thereunder are recent developments and their interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Instruments. In addition, the administration of the NDRC Circular, including the enterprise foreign debt quota thereunder, may be

subject to a certain degree of executive and policy discretions by the NDRC. The NDRC Circular does not expressly state the legal consequences of non-compliance with the post-issue notification requirements under the NDRC Circular, but the NDRC has expressed to the public in June 2018 that it was going to implement a three-step warning system to non-compliance under the NDRC Circular, that is, to talk with the issuer, underwriters and law firms involved for their first non-compliance, officially give a warning to such entities for their second non-compliance, and hold such entities liable, suspend the registration for any subsequent issuance of debt securities or loans of such issuer and forbid such underwriters and law firms from participating in any subsequent issuance of debt securities or loans from their third non-compliance. Also, there is no assurance that the registration approval or the annual foreign debt quota with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Instruments in the PRC.

### **Risks Relating to the Instruments and the Guarantee**

See “— Risks Relating to the Company — As a holding company with no operations of its own, the Company generally depends on distributions from its subsidiaries to meet its payment obligations, and provisions of applicable law or contractual restrictions could limit the amount of such distributions”.

#### ***The Issuer has no material assets and relies on the Company to make payment under the Instruments.***

The Issuer, a wholly-owned subsidiary of the Company, was established specifically for the purpose of issuing notes and advancing the net proceeds from the issuance to the Company. The Issuer does not and will not have any material assets other than the remainder of the net proceeds from the issuance yet to be advanced to the Company and its ability to make payments under the Instruments will depend on its receipt of timely payments from the Company.

In the event of a shortfall of funds, there is a real risk that an investor in the Instruments will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Instruments.

#### ***Obligations of the Company under the Guarantee are structurally subordinated to the liabilities and obligations of the Company's subsidiaries.***

The obligations of the Company under the Guarantee will be effectively subordinated to all existing and future obligations of existing or future subsidiaries, and all claims of creditors of existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of the Company and those of the Company's creditors, including the holders of the Instruments. As a result, all of the existing and future liabilities of the Company's subsidiaries, excluding the Issuer's, including any claims of trade creditors and preferred stockholders (if any) of such subsidiaries, will be effectively senior to the Instruments and the Guarantee. In addition, even if the Company were a creditor of any subsidiary, its 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 Company. The total borrowings and indebtedness of the Company's subsidiaries as at 30 June 2020 was HK\$129,598 million (US\$16,722 million).

#### ***The Issuer and the Company may raise other capital which affects the price of the Instruments.***

The Issuer may issue additional debt securities and the Company may raise additional capital through the issue of other types of securities or other means. Under the terms of the Programme Agreement, the aggregate nominal amount of the Instruments outstanding at any one time can be up to



US\$10.0 billion (or equivalent). The issue of any such securities may reduce the amount (if any) recoverable by holders of the Instruments and may also have an adverse impact on the trading price of the Instruments and/or the ability of holders to sell them.

***The Company may be unable to obtain and remit funds in foreign currencies.***

The Company's ability to satisfy its obligations to the Issuer or pursuant to the Guarantee depends in part upon the ability of its subsidiaries or affiliates in China to obtain and remit sufficient funds in foreign currencies to pay dividends to the Company and to repay intercompany loans. A significant portion of the sales of the Company's subsidiaries are denominated in Renminbi. The PRC subsidiaries must present certain documents to the SAFE, its authorised branch or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of intercompany loans, evidence of the registration of the loan with the SAFE).

***PRC regulations of direct investment in PRC entities or foreign debt to PRC entities by offshore holding company may delay or prevent the Company from using the proceeds of Instruments to make additional capital contributions or lend loans to its PRC operating subsidiaries.***

According to the existing PRC laws and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as the Company's PRC subsidiaries established as foreign-invested enterprises in China, are considered as foreign debt, and such loans must be registered with the relevant local branches of SAFE, which could delay the transfer the proceeds of this offering to the Company's PRC subsidiaries. Such laws and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. Therefore, the amount the Company can transfer to its PRC subsidiaries as foreign debt is restricted.

Equity contributions by the Company or its non-PRC subsidiaries to the Company's PRC subsidiaries will require approvals from the MOFCOM or its local department and other related government authorities, as appropriate, which may take considerable time and result in delays of receiving the contribution. This may in turn adversely affect the financial condition of the PRC subsidiaries and cause delays to the development undertaken by such PRC subsidiaries. The Company might not be able to obtain necessary approvals for its PRC subsidiaries, if at all.

In addition, the PRC government may introduce new policies that could further restrict the Company's ability to use funds raised outside China. The Company's borrowings from sources outside of China as a percentage of its total borrowings have been increasing and may continue to increase in the future. Due to restrictions imposed by the PRC laws and regulations, the Company may not be able to use all or any of the funds that it raise outside of China, including the net proceeds from the current offering, as the Company contemplated, which may have a material and adverse effect on its business, results of operations, financial condition and prospects.

***The ratings of the Programme, the Instruments or the Company may be downgraded or withdrawn.***

The Programme has been rated "A3" (for medium term notes) and "Baa1" (for subordinated perpetual securities) by Moody's, "A-" (for senior unsecured medium term notes) by S&P and "A-" by Fitch. Instruments issued under the Programme may be rated or unrated. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Company to perform their respective obligations under the Instruments and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Instruments. A rating is not a recommendation to buy, sell or hold securities. The ratings can be lowered or withdrawn at any time.



Neither the Issuer nor the Company is obligated to inform holders of the Instruments if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Instruments and the Company's ability to access the debt capital markets.

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

The Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, with DTC or lodged with the CMU Service (each of Euroclear, Clearstream, DTC and the CMU Service, a “**Clearing System**”). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes.

While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes, the Company will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, to DTC or, as the case may be, to the CMU Service, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Company and the Issuer have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

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

***The Company's ranking and market share data may not be accurate; investors should not place undue reliance on such information.***

The Company's ranking and market share data included in this Offering Circular have been derived from the Company's estimates of market statistics and its own analysis and calculations. Such data were not calculated, reviewed or verified by independent third parties. The methodology used by the Company to compile or to analyse such data may be untested or ineffective to present accurate information about the Company's market position. There can be no assurance that such ranking or market share data were accurate, complete or updated. Investors should not place undue reliance on such data.

***The Trustee may request that the Noteholders and Securityholders provide an indemnity and/or security and/or pre-funding to its satisfaction.***

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

***Investors shall be aware of the effect of change of law.***

The Terms and Conditions of the Notes are governed by English law. The “*Terms and Conditions of the Securities*” relating to subordination are governed by British Virgin Islands law and Hong Kong law, while any other “*Terms and Conditions of the Securities*” are based on English law in effect. No assurance can be given as to the impact of any possible judicial decision or change to British Virgin Islands law, Hong Kong law, and/or English law, or administrative practices after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes or Securities affected by it.

### **Risks Relating to the Notes**

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

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

Unless in the case of any particular Tranche of Notes the applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Note Conditions.

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

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

***Dual currency issues have features which are different from single currency issues.***

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected; and
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

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

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

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

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

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

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

***Certain benchmark rates, including LIBOR and EURIBOR, may be discontinued or reformed in the future — including the potential phasing-out of LIBOR after 2021.***

LIBOR, the Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the “**Benchmarks Regulation**”) on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds became applicable from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks,” trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the discontinuance or unavailability of quotes of certain “benchmarks.”

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and, on 12 July 2018, announced that the LIBOR benchmark may cease to be a regulated benchmark under the Benchmark Regulation. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018,

its working group on Sterling risk free rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“**SONIA**”) over the next four years across sterling bond, loan and derivative markets so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

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

The elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(i) (Benchmark Replacement)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The “Terms and Conditions of the Notes” provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

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

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

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

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

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

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

***Investors may lose part or all of their investment in any index linked Notes.***

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

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

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

## **Risks Relating to the Securities**

Securities issued under the Programme may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

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

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

***The Issuer's obligations under the Securities and the Guarantor's obligations under the Guarantee of the Securities are subordinated.***

The Issuer's obligations under the Securities constitute its direct, unsecured and subordinated obligations. Subject to applicable law in the event of the Winding-Up of the Issuer, the rights and claims of the Holders in respect of the Securities shall rank ahead of those persons whose claims are in respect

of any Junior Securities of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Issuer, other than the claims of holders of Parity Securities of the Issuer.

The Guarantor's obligations under the Guarantee of the Securities constitute its direct, unsecured and subordinated obligations. Subject to applicable law in the event of the Winding-Up of the Guarantor, the rights and claims of the Holders in respect of the Guarantee of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Securities of the Guarantor, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Guarantor, other than the claims of holders of Parity Securities of the Guarantor.

In the event of a shortfall of funds on a Winding-Up of the Issuer or the Guarantor, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount of the Securities or any unpaid Distributions, Arrears of Distribution or Additional Distribution Amounts.

***Securityholders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Security Conditions.***

The Issuer may, at its sole discretion and subject to certain conditions as set out in the Security Conditions and, where applicable, specified in the relevant Pricing Supplement, elect to defer any scheduled Distribution on the Securities for any period of time. Subject to the Dividend Pusher (if applicable), the Issuer is subject to certain restrictions in relation to the payment of dividends on its Junior Obligations or its Parity Obligations, the redemption and repurchase on its Parity Obligations prior to their stated maturity or Junior Obligations until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Security Conditions. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Security Conditions, subject to compliance with certain restrictions and notwithstanding any increase in the Distribution Rate which may be provided for under the Terms and Conditions of the Securities. Such restrictions however, do not capture discretionary payment on instrument or security which rank senior than the obligations of the Issuer under the Securities, or the obligations of the Guarantor under the Guarantee of the Securities. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Security Conditions, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distribution shall not constitute a default for any purpose. Each of the Issuer and the Guarantor is subject to certain restrictions in relation to the payment of discretionary dividends on its Junior Securities and its Parity Securities, the discretionary redemption and repurchase of its Parity Securities or Junior Securities until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions of the Securities. Such restrictions on discretionary payments act as the main deterrent against deferral of Distribution on the Securities. Such restrictions, however, does not capture discretionary payment on instrument or security which rank senior than the obligation of the Issuer under the Securities, or the obligation of the Guarantor under the Guarantee of the Securities.

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



***If specified as applicable in the relevant Pricing Supplement, the Securities may be redeemed at the Issuer's option on the First Call Date and on each Distribution Payment Date after the First Call Date or the occurrence of certain other events.***

If the Call Option (Issuer) is specified in the relevant Pricing Supplement as being applicable, the Securities are redeemable at the option of the Issuer on the First Call Date (if notice of redemption is given before the First Call Date) and on each Distribution Payment Date after the First Call Date (if notice of redemption is given after the First Call Date) at their Optional Redemption Amount (Issuer) together with any Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, if specified in the relevant Pricing Supplement as being applicable, the Issuer also has the right to redeem the Securities upon the occurrence of a Step-Up Event (as defined in the Security Conditions). The Securities may also be redeemed at the option of the Issuer at their Optional Redemption Amount (Minimum Outstanding Amount) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.

The date(s) on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

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

There can be no assurance that the adoption of new accounting policies or new Hong Kong Financial Reporting Standards (the “HKFRS”) will not have a significant impact on the Group's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to any interpretation of, the HKFRS may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as “equity” of the Issuer or (as the case may be) the Guarantor, and will give the Issuer the right to elect to redeem the Securities.

***There are limited remedies for default or for a Winding-Up of the Guarantor under the Securities.***

Any scheduled Distribution will not be due if, as provided for in the relevant Pricing Supplement, the Issuer elects not to pay all or a part of that Distribution pursuant to the Security Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings against the Issuer, the Guarantor on both of them is limited to circumstances where a Winding-Up proceeding has been initiated against the Issuer or the Guarantor (in the case of the Guarantor, on a voluntary basis) or where payment under the Securities has become due and the Issuer or the Guarantor fails to make the payment when due. The only remedy against the Issuer and the Guarantor available to any Securityholder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting Winding-Up proceedings against the Issuer, the Guarantor or both of them and/or proving and/or claiming in Winding-Up against the Issuer, the Guarantor or both of them in respect of any of their payment obligations arising from the Securities and the Guarantee of the Securities. However, there is no assurance that the Issuer or the Guarantor would have sufficient funds to pay amounts due under the Securities or the Guarantee of the Securities, respectively, and the right to institute Winding-Up proceedings is limited to circumstances provided by applicable law.



Remedies under the Securities upon a Winding-Up of the Guarantor are limited. In the case where there is Winding-Up of the Guarantor on an involuntary basis such as a creditors Winding-Up, no payments will be due and payable under the Securities. In such case, Holders do not have the right to institute Winding-Up proceedings against the Issuer or the Guarantor or prove in the Winding-Up and/or claim in the liquidation of the Guarantor.

***The Securities confer Securityholders with limited rights upon the occurrence of a Step-up Event.***

The Securities confer Securityholders with limited rights upon the occurrence of a Step-up Event. The Issuer may, at any time, on giving irrevocable notice to the Trustee, the Agents and the Securityholders, redeem in whole, but not in part, the Securities if any of such events occurs. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such events, the Distribution Rate will increase by a certain percentage per annum pursuant to Security Condition 6(f) (*Increase in Distribution Rate*). However, the occurrence of a Breach of Covenant Event or a Relevant Indebtedness Default Event may result in certain of the Issuer's and the Guarantor's other capital markets indebtedness becoming immediately due and payable upon certain steps being taken by the relevant holders and/or their representatives. In the case of the occurrence of a Change of Control Event, the holders of certain other capital markets indebtedness of the Issuer and the Guarantor may be entitled to require the Issuer and the Guarantor to redeem such other indebtedness whereas the Securityholders do not have such entitlement under the Securities. There can be no assurance that, after discharge of the Issuer's and the Guarantor's obligations under such other capital markets indebtedness, the Issuer and the Guarantor would have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Securities.

***The Issuer and the Guarantor may raise or redeem other capital which affects the price of the Securities.***

The Issuer and the Guarantor may raise additional capital through the issue of other securities or other means. Other than certain restrictions as set out in Security Condition 5(a) (*Negative Pledge*), there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a Winding-Up or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Securityholders to sell their Securities.

***The Securities are subordinated to certain liabilities, contingent liabilities and obligations of the Issuer and the Guarantor.***

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the Issuer and the Guarantor without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Securities on a winding-up of the Issuer and the Guarantor and/or may increase the likelihood of a non-payment under the Securities.

***Legal investment considerations may restrict certain investments.***

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

**Risks Relating to Renminbi-denominated Instruments**

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

***Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of RMB Instruments.***

Renminbi is not freely convertible at present. The government of the PRC (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Instruments, as further discussed below.

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

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited.

While the PBOC has established Renminbi clearing and settlement mechanisms for participating banks in Hong Kong, Singapore and Taiwan as well as other jurisdictions (each, a “**Renminbi Clearing Bank**”) through settlement agreements on the clearing of Renminbi business (the “**Settlement Agreements**”), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions. Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of its RMB Instruments. To the extent the Issuer is required to source Renminbi in the offshore market to service its RMB Instruments, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. See “PRC Currency Controls”.

***Investment in RMB Instruments is subject to exchange rate risks.***

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to RMB Instruments in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

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

All payments to investors in respect of RMB Instruments will be made solely by (i) when RMB Instruments are represented by Global Certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when RMB Instruments are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by check or draft or by transfer to a bank account in the PRC).

**Risks Relating to the Market Generally**

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

***The Instruments have no current active trading market and may trade at a discount to their initial offering prices and/or with limited liquidity.***

The Instruments will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and forms a single series with a Tranche of Instruments which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Company. If the Instruments are trading at a discount, investors may not be able to receive a favourable price for their Instruments, and in some circumstances

investors may not be able to sell their Instruments at all or at their fair market value. Although an application has been made for the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Instruments will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Instruments. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of the Instruments.

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

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

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

## TERMS AND CONDITIONS OF THE NOTES

*The following (other than the words in italics) is the text of the terms and conditions of the Notes which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme.*

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Instruments while in Global Form” below.

### 1. Introduction

- (a) *Programme*: Sinochem Offshore Capital Company Limited (the “**Issuer**”) and Sinochem Hong Kong (Group) Company Limited (the “**Guarantor**”) have established a Medium Term Note and Perpetual Securities Programme (the “**Programme**”) for the issuance of up to U.S.\$10,000,000,000 in aggregate principal amount of notes (the “**Notes**”) and subordinated perpetual securities (the “**Securities**”) guaranteed by the Guarantor. These terms and conditions relate to Notes issued under the Programme.
- (b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a pricing supplement (the “**Pricing Supplement**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) *Trust Deed*: The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 18 September 2020 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor and Citicorp International Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement*: The Notes are the subject of an issue and paying agency agreement dated 18 September 2020 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor and Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Citicorp International Limited as CMU lodging and paying agent and CMU registrar (the “**CMU Lodging and Paying Agent**” and the “**CMU Registrar**”, respectively, which expression includes any successor CMU lodging and paying agent and CMU registrar appointed from time to time in connection with Notes cleared through the CMU Service), Citibank, N.A., London Branch as principal registrar (the “**Principal Registrar**”, which expression includes any successor principal registrar appointed from time to time in connection with Notes cleared through a clearing system other than the CMU Service, and together with the CMU Registrar, the “**Registrars**” and each, a “**relevant Registrar**”), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrars, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the “**Agents**” are to the Paying Agents and the

Transfer Agents and any reference to an “**Agent**” is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent or the Principal Registrar shall, with respect to a Series of Notes to be held in the CMU Service, be deemed to be a reference to the CMU Lodging and Paying Agent or the CMU Registrar, as the case may be, and all such references shall be construed accordingly.

- (e) *The Notes*: The Notes may be issued in bearer form (“**Bearer Notes**”), or in registered form (“**Registered Notes**”). All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing during normal business hours upon prior written request and proof of holding, and may be obtained from, the Specified Office of the Principal Paying Agent.
- (f) *Summaries*: Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours upon prior written request and proof of holding at the Specified Office of the Principal Paying Agent.

## 2. Interpretation

- (a) *Definitions*: In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Pricing Supplement;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Authorised Signatory**” means

- (a) in relation to the Issuer, any Director of the Issuer or any other person or persons notified to the Trustee by any such Director as being an Authorised Signatory pursuant to the Trust Deed; and
- (b) in relation to the Guarantor, any Director of the Guarantor or any other person or persons notified to the Trustee by any Director of the Guarantor as being an Authorised Signatory pursuant to the Trust Deed;

“**Bankruptcy Law**” means any applicable bankruptcy, insolvency or other similar law now or hereafter in effect;

“**Business Day**” means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in London and in each (if any) Additional Business Centre;



- (b) in relation to any sum payable in Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and
- (c) in relation to any sum payable in a currency other than euro and Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets settle payments generally in Hong Kong (in the case of Notes cleared through the CMU Service) or London (in the case of Notes cleared through Euroclear or Clearstream) and in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**“Business Day Convention”**, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **“FRN Convention”, “Floating Rate Convention”** or **“Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;



**“Calculation Agent”** means the Principal Paying Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

**“Calculation Amount”** has the meaning given in the relevant Pricing Supplement;

**“Change of Control”** means, at any time, (1) Sinochem Corporation, a joint stock limited liability company incorporated in the PRC, or any of its Subsidiaries ceasing to own and control (directly or indirectly or in combination) 100 per cent. of the Guarantor’s issued and outstanding capital stock, provided that in the event that (due to the expiration of the period set forth in the definition of **“Ratings Decline”** or otherwise) a Change of Control Triggering Event shall not have occurred in connection with any such reduction in ownership, any further reduction (together with each such further reduction previously occurred which did not constitute a new Change of Control pursuant to this proviso) greater than 5 per cent. shall constitute a new **“Change of Control”**; or (2) the government of the PRC or Persons owned and controlled by the government of the PRC ceasing to own and control (directly or indirectly or in combination) at least 50.1 per cent. of the Guarantor’s issued and outstanding capital stock. No Change of Control will be deemed to have occurred unless and until such Change of Control has actually been consummated;

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

**“Clearstream”** means Clearstream Banking S.A.;

**“CMU Service”** means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

**“Coupon Sheet”** means, in respect of a Note, a coupon sheet relating to the Note;

**“Day Count Fraction”** means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if **“Actual/Actual (ICMA)”** is so specified, means:

- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year; and
- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
  - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Early Redemption Amount (Change of Control Event)**” means, in respect of any Note, 101 per cent. of its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Early Redemption Amount (Tax)”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Euroclear”** means Euroclear Bank SA/NV;

**“Event of Default”** has the meaning given in Condition 13 (*Events of Default*);

**“Extraordinary Resolution”** has the meaning given in the Trust Deed;

**“Final Redemption Amount”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“First Interest Payment Date”** means the date specified in the relevant Pricing Supplement;

**“Fixed Coupon Amount”** has the meaning given in the relevant Pricing Supplement;

**“Group”** means the Guarantor and its Subsidiaries, including the Issuer, taken as a whole;

**“Guarantee of the Notes”** means the guarantee of the Notes given by the Guarantor in the Trust Deed;

**“Holder”**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China;

**“Hong Kong Stock Exchange”** means The Stock Exchange of Hong Kong Limited;

**“Indebtedness”** means any indebtedness for or in respect of money borrowed that has a final maturity of one year or more from its date of incurrence or issuance;

**“Interest Amount”** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**“Interest Commencement Date”** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

**“Interest Determination Date”** has the meaning given in the relevant Pricing Supplement;

**“Interest Payment Date”** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention;
- or

- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**“Interest Period”** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

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

**“ISDA Definitions”** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

**“Issue Date”** has the meaning given in the relevant Pricing Supplement;

**“Lien”** means any mortgage, pledge, lien, charge, encumbrance or any other security interest;

**“Linear Interpolation”** has the meaning given in the relevant Pricing Supplement;

**“Margin”** has the meaning given in the relevant Pricing Supplement;

**“Maturity Date”** has the meaning given in the relevant Pricing Supplement;

**“Maximum Redemption Amount”** has the meaning given in the relevant Pricing Supplement;

**“Maximum Rate of Interest”** for any Interest Period has the meaning given in the Pricing Supplement but shall never be less than zero, including any relevant margin;

**“Minimum Redemption Amount”** has the meaning given in the relevant Pricing Supplement;

**“Noteholder”**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

**“Optional Redemption Amount (Call)”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Optional Redemption Amount (Put)”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Optional Redemption Date (Call)”** has the meaning given in the relevant Pricing Supplement;

**“Optional Redemption Date (Put)”** has the meaning given in the relevant Pricing Supplement;

**“Payment Business Day”** means:

- (a) if the currency of payment is euro, any day which is:
  - (i) a day on which (A) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (B) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) has its Specified Office; and
  - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
  - (i) a day on which (A) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (B) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) has its Specified Office; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

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



**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union or the United Kingdom as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Issuer;
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Issuer; and
- (c) in relation to Renminbi, it means Hong Kong or the Principal Financial Centre as is specified in the relevant Pricing Supplement;

**“Put Option Notice”** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder in accordance with Condition 9(f);

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

**“Rating Agencies”** means (i) Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors (“**S&P**”); (ii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”); and (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors (“**Fitch**”); and (4) if one or more of S&P, Moody’s or Fitch or shall not make a rating of the Guarantor publicly available, a United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be;

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

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

- (a) in the event the Guarantor (x) is on the Rating Date (A) rated by three Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (y) ceases to be rated Investment Grade by at least two of such Rating Agencies; or
- (b) in the event the Guarantor (x) is on the Rating Date (A) rated by two but not more Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (y) ceases to be rated Investment Grade by both such Rating Agencies;

**“Receiver”** means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law;

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Change of Control Event), the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in the relevant Pricing Supplement;

**“Reference Banks”** has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer (or an agent appointed by it) in the market that is most closely connected with the Reference Rate and notified in writing to the Trustee and the Calculation Agent;

**“Reference Price”** has the meaning given in the relevant Pricing Supplement;

**“Reference Rate”** has the meaning given in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

**“Register”** has the meaning given in the Agency Agreement;

**“Regular Period”** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

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

**“Relevant Financial Centre”** has the meaning given in the relevant Pricing Supplement;

**“Relevant Screen Page”** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on

that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Pricing Supplement;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce or cancel the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment (except as a result of any modification contemplated in Condition 7(i) (*Benchmark Continuation*)), to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Significant Subsidiary**” means any Subsidiary that would be a “**significant subsidiary**” of the Issuer or the Guarantor within the meaning of Rule 1-02 under Regulation S-X promulgated by the U.S. Securities and Exchange Commission; provided that in each instance in such definition in which the term “**10 per cent.**” is used, the term “**15 per cent.**” shall be substituted therefor.

“**Subsidiary**” means in relation to any person and at any particular time any entity of which more than 50 per cent. of the issued share capital is then beneficially owned by such person and/or one or more of its Subsidiaries.

“**Specified Currency**” has the meaning given in the relevant Pricing Supplement;

“**Specified Denomination(s)**” has the meaning given in the relevant Pricing Supplement;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Pricing Supplement;

“**Talon**” means a talon for further Coupons;

“**Tangible Net Worth**” means, as of the last day of each 12 month period ending on 30 June or 31 December in each year, the consolidated total equity of the Guarantor, as determined from the consolidated financial statements for that relevant period:

- (a) plus any subordinated shareholders’ loans and any amount standing to the credit of the profit and loss account of the Guarantor as of the last day of that relevant period (to the extent such amount is not reflected in the reserves of the Guarantor referred to above);
- (b) less (i) goodwill and other intangible assets and (ii) minority interests.

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**Zero Coupon Note**” means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.
- (d) *Title to Registered Notes:* The relevant Registrar will maintain a register (the “**Register**”) in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered

holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.

- (e) *Ownership*: The Holder of any Note or Coupon shall (except 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 any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes*: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or any Transfer Agent, together with such evidence as the relevant Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate and provision of the required evidence in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the relevant Registrar or any Transfer Agent but against such payment or indemnity as the Issuer, the relevant Registrar or (as the case may be) such Transfer Agent may require in respect of (i) any costs or expenses of delivery, or (ii) any stamp duty, tax, other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such transfer and registration thereof.
- (i) *Closed periods*: Noteholders may not require transfers to be registered during the period of 15 days ending on (and including) (i) any Record Date for any payment of principal or interest, (ii) the due date for redemption of the Notes, or (iii) any date on which the Notes may be called for redemption by the Issuer at its option pursuant to Condition 9(b) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*).

- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar and the Trustee. A copy of the current regulations will be made available for inspection by the relevant Registrar to any Noteholder upon prior written request and proof of holding.

#### **4. Status of the Notes and Guarantee of the Notes**

- (a) *Status of the Notes:* The Notes constitute direct, general, unsubordinated, unconditional and (subject to Condition 5(a) (*Negative Pledge*) below) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Notes:* The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee of the Notes constitutes direct, general, unsubordinated, unconditional and unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### **5. Covenants**

- (a) *Negative Pledge:* So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to subsist any Lien upon the whole or any part of their respective property or assets, present or future, to secure any Indebtedness (or to secure for the benefit of the holders thereof any guarantee or indemnity in respect thereof) without, in any such case, effectively providing that the Notes and the Guarantee, as the case may be, will be secured equally and rateably with, and prior to incurring such Indebtedness (or such guarantee or indemnity in respect thereof), unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (other than the Indebtedness secured by Liens described in clauses (i) through (vii) below) would not exceed 5 per cent. of the Guarantor's Tangible Net Worth.

The foregoing restriction will not apply to:

- (i) any Lien existing on or prior to the date of issue of the Notes;
- (ii) any Lien existing on any property or asset prior to the acquisition thereof by the Issuer or the Guarantor or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (iii) any Lien on any property or asset securing Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof; provided that such Lien attaches to such property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;
- (iv) any Lien securing Indebtedness owing to or held by the Issuer or the Guarantor;



- (v) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;
  - (vi) Liens on money paid to or money or securities deposited with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Issuer or the Guarantor in respect of Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full); or
  - (vii) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses; provided that such Indebtedness is not increased and is not secured by any additional property or assets.
- (b) *Other Covenants:*
- (i) The Guarantor shall ensure that the Issuer shall at all times remain a wholly-owned subsidiary of the Guarantor. The Issuer shall not carry on any business activities other than those in connection with issuance of the notes or the subordinated perpetual securities (including the Instruments to be issued under the Programme) and advance of the net proceeds of the issuance to the Guarantor.
  - (ii) The Issuer will not hold any debts or securities (including deposits and loans) that give rise to U.S. source income or gross income that is effectively connected with the conduct of a U.S. trade or business for U.S. federal income tax purposes.
  - (iii) Where the NDRC Quota is available to a Tranche of Notes, the Issuer and the Guarantor undertake that, after the Issue Date, the Issuer shall, and the Guarantor shall procure the Issuer to, report or cause to be reported to the NDRC the requisite information within the time period as required by the NDRC; where the NDRC Quota is not available to a Tranche of Notes, the Issuer and the Guarantor undertake that they will make or procure to be made a pre-issuance registration with the NDRC, followed by a post-issuance reporting with the NDRC within the prescribed time following issuance of the Notes pursuant to the NDRC Circular.

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

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

“**NDRC Quota**” means the annual or otherwise general quota granted by the NDRC pursuant to The Registration Certificate of Enterprise Foreign Debt (企業借用外債備案登記證明) issued by the NDRC on 17 April 2020 or its equivalent from time to time.

## 6. Fixed Rate Note Provisions

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* Unless specified in the relevant Pricing Supplement, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (e) *Notes accruing interest otherwise than a Fixed Coupon Amount:* This Condition 6(e) shall apply to Notes which are Fixed Rate Notes only where the Pricing Supplement for such Notes specify that the Interest Payment Dates are subject to adjustment in accordance with the Business Day Convention specified therein. The relevant amount of interest payable in respect of each Note for any Interest Period for such Notes shall be calculated by the Calculation Agent by multiplying the product of the Rate of Interest and the Calculation Amount by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). The Calculation Agent shall cause the relevant amount of interest and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agents, the relevant Registrar (in the case of Registered Notes) and the Noteholders in accordance with Condition 20 (*Notices*) and, if the Notes are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Business Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange.

## **7. Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due

presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
  - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

***provided, however, that*** if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer (or an agent selected by it) determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Issuer (or an agent appointed by it) will request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date offered to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time and Issuer (or an agent appointed by it) shall notify the Calculation Agent of the same. The Calculation Agent will determine the arithmetic mean of such quotations; and

- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer (or an agent appointed by it), at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading international banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of an immediately preceding Interest Period.

- (d) *ISDA Determination*: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
  - (v) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (vi) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

**provided, however, that** if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer (or an agent appointed by it) determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and the Trustee as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given by the Issuer to the Noteholders and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Trustee, Noteholders and the Couponholders. In the absence of fraud, or wilful default or gross negligence, no liability to any such Person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (i) *Benchmark Discontinuation:* If a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with this Condition 7(i)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(i)(iii)) and any Benchmark Amendments (in accordance with Condition 7(i)(iv)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Agents or the Noteholders for any determination made by it pursuant to this Condition 7(i) and the Trustee will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof.

- (i) If (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(i) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 7(i)(i) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 7(i).
- (ii) If the Independent Adviser determines in its discretion that:
  - (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(i)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(i) in the event of a further Benchmark Event affecting the Successor Rate; or
  - (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(i)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(i) in the event of a further Benchmark Event affecting the Alternative Rate.
- (iii) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Advisor is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as the case may be) will apply without an Adjustment Spread.
- (iv) If any relevant Successor Rate, Alternative Rate or Adjustment Spread (if any) is determined in accordance with this Condition 7(i) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (if any) (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 7(i)(v), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Trustee shall, at the direction and



expense of the Issuer, consent to and effect such consequential amendments to the Trust Deed and these Conditions as may be required in order to give effect to this Condition 7(i)) **provided that** the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

- (v) Any Successor Rate, Alternative Rate, Adjustment Spread (if any) and the specific terms of any Benchmark Amendments, determined under this Condition 7(i) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (vi) No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer:
  - (A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(i); and
  - (B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread (if any).

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

- (vii) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Trustee and Principal Paying Agent, the Calculation Agent, the other Paying Agents and the Noteholders.

(viii) As used in this Condition 7(i):

**“Adjustment Spread”** means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, and the Independent Adviser in its discretion determines to, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (C) (if the Independent Adviser determines that no such spread is customarily applied) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

**“Alternative Rate”** means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 7(i) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

**“Benchmark Amendments”** has the meaning given to it in Condition 7(i)(iv).

**“Benchmark Event”** means:

- (A) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **“Specified Future Date”**); or

- (C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by the Specified Future Date, be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by the Specified Future Date, be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or
- (E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, (i) such Reference Rate is or will, by the Specified Future Date, be no longer representative of an underlying market or (ii) the methodology to calculate such Reference Rate has materially changed; or
- (F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C), (D) or (E) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

**“Independent Adviser”** means an independent financial institution of international reputation or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under this Condition 7(i).

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

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

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

## 8. Zero Coupon Note Provisions

- (a) *Application*: This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## 9. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (A) (1) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 12 (*Taxation*)) as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

- (B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (x) a certificate signed by an Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (c) *Redemption for Change of Control Event*: At any time following the occurrence of a Change of Control Event, the holder of any Note will have the right on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (unless prior to the giving of the relevant Change of Control Event Put Exercise Notice (as defined below) the Issuer has given notice of redemption under Condition 9(b) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*)), at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes on the Change of Control Event Put Date at a price in cash equal to the Early Redemption Amount (Change of Control Event), together with interest accrued (if any) to (but excluding) the Change of Control Event Put Date. To exercise such right, the holder of the relevant Note 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, obtainable from the Specified Office of any Paying Agent (a

“**Change of Control Event Put Exercise Notice**”), together with a certificate evidencing the Notes to be redeemed, by not later than 30 days following a Change of Control Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 20 (*Notices*). The “**Change of Control Event Put Date**” shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 9(c).

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes such an offer substantially in the manner, at the times and in compliance with the requirements for a Change of Control Offer (and for at least the same purchase price payable in cash) and such third party purchases all Notes properly tendered and not withdrawn under its offer.

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

The Issuer shall give notice to Noteholders (in accordance with Condition 20 (*Notices*)) and the Trustee and the Principal Paying Agent by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 9(c).

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control Event or any event which could lead to the occurrence of a Change of Control Event has occurred and shall not be liable to Noteholders or any other person for not doing so.

- (d) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer’s giving not less than 15 nor more than 30 days’ notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to (but excluding) such date).
- (e) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 9(d) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.



- (f) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall send notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent or CMU Lodging and Paying Agent shall be deemed to be the Holder of such Note for all purposes.
- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.
- (h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (j) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor, or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.
- (k) *Calculations:* Neither the Trustee nor any of the Agents (other than the Calculation Agent and solely in respect of its functions as an appointed Calculation Agent of the Issuer) shall be responsible for calculating or verifying the calculations of any amount under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

- (l) *Notices of redemption*: If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 9(b) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*) and any Change of Control Event Put Exercise Notice given by a Noteholder pursuant to Condition 9(c) (*Redemption for Change of Control Event*) or any Put Option Notice given pursuant to Condition 9(f) (*Redemption at the option of Noteholders*)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

## 10. Payments — Bearer Notes

This Condition 10 is only applicable to Bearer Notes.

- (a) *Principal*: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong.
- (b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents with Specified Office outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law without involving, in the opinion of the Issuer, any adverse tax consequences to the Issuer.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. Neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws.
- (e) No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (f) *Deductions for unmatured Coupons*: If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.
- Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.
- (g) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 10(g) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(f) (*Redemption at the option of Noteholders*), Condition 9(d) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (h) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (i) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

- (j) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (k) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 11. Payments — Registered Notes

This Condition 11 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made:

- (i) in the case of a currency other than Renminbi, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (; and
- (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong,

and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (b) *Interest:* Payments of interest shall be made:

- (i) in the case of a currency other than Renminbi, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency; and
- (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Business Day before the due date for payment,

and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S.

Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.
- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the relevant Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”).

*For so long as any of the Notes that are cleared through Euroclear or Clearstream are represented by a Global Note or a Global Note Certificate, each payment in respect of the Global Note or Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January. For so long as any of the Notes that are cleared through the CMU Service are represented by a Global Note or a Global Note Certificate, payments of interest or principal will be made to the persons for whose account a relevant interest in that Global Note or, as the case may be, that Global Note Certificate is credited as being held by the operator of the CMU Service at the relevant time, as notified to the CMU Lodging and Paying Agent by the operator of the CMU Service in a relevant CMU Instrument Position Report (as defined in the rules of CMU) or in any other relevant notification by the operator of the CMU Service. Such payment will discharge the Issuer’s obligations in respect of that payment. Any payments by CMU participants to indirect participants will be governed by arrangements agreed between CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.*

## 12. Taxation

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or the People's Republic of China (the "**PRC**", which for these purposes exclude the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) or of any political subdivision taking authority thereof or therein (each, a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon:
- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Relevant Jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such Additional Amounts on surrender of such Note, Receipt or Coupon for payment on the last day of such period of 30 days assuming that day to have been a Payment Business Day). "**Relevant Date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been duly given to the holders of the Notes; or
  - (iii) to a holder (or to a third party on behalf of a holder) who would have been able to avoid such withholding or deduction by duly presenting or surrendering the Note (where presentation or surrender is required), Receipt or Coupon to another paying agent having a specified office in a principal international financial centre outside the PRC; or
  - (iv) with respect to any tax, duty, assessment or other governmental charge that would not have been imposed but for the failure of the holder or beneficial owner to comply with a timely request of the Issuer or the Guarantor addressed to the holder or beneficial owner to provide certification or information concerning the nationality, residence or identity of the holder or beneficial owner of the Note, Receipt or Coupon, if compliance is required as a precondition to relief or exemption from the tax, duty assessment or governmental charge; or
  - (v) any estate, inheritance, gift, sale, transfer, personal property, or similar tax, duty, assessment or other governmental charge; or
  - (vi) any combination of paragraphs (i) to (v) above.



Additional Amounts will not be paid to a holder who is a fiduciary, a partnership or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Relevant Jurisdiction to be included in the income of a beneficiary or settlor with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder.

For the avoidance of doubt, no Additional Amounts will be required to be paid on account of, and payments on the Notes and under the Guarantee will be paid net of, any deduction or withholding imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code or any current or future regulations issued thereunder (“**FATCA**”), any intergovernmental agreement entered into with respect to FATCA, or any fiscal or regulatory legislation, rules or practices entered into in connection with any such intergovernmental agreement.

Any reference in the Notes to principal, premium (if any) and/or interest shall be deemed to include any Additional Amounts which may be payable as described above.

- (b) *Taxing jurisdiction*: If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Hong Kong or the PRC respectively, references in these Conditions to the British Virgin Islands, Hong Kong or the PRC shall be construed as references to the British Virgin Islands, Hong Kong or the PRC and/or such other jurisdiction.
- (c) *Trustee and Agents*: Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 12 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

### 13. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs and is continuing, then (other than in the case of the occurrence of the event mentioned in paragraph (b) (*Non-payment of principal*) below) the Trustee at its discretion may and, if so requested in writing by Holders of not less than 25 per cent. of the aggregate principal amount of the then outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become (and in the case of the occurrence of the event mentioned in paragraph (b) (*Non-payment of principal*) below, they shall be upon the occurrence of such event) immediately due and payable together with accrued and unpaid interest (if any) without further action or formality:

- (a) **Non-payment of interest**: defaults in any payment of interest on any Note on the date such amount is due and payable, continued for 30 days;
- (b) **Non-payment of principal**: defaults in the payment of principal of, or premium, if any, on any Note on the date such amount is due and payable;

- (c) **Failure to comply with other obligations:** the Issuer fails to perform or comply with any one or more of its other obligations under Conditions 5 (*Covenants*) and 9(c) (*Redemption upon Change of Control Event*) of the Notes, which default is incapable of remedy or is not remedied within 45 days after notice of such default shall have been given by the Trustee (other than a failure to purchase Notes which will constitute an Event of Default under paragraph (b) above);
- (d) **Failure to comply with other agreements:** failure by the Issuer or the Guarantor to comply, for 60 days after written notice by the Trustee, with its other agreements contained in these Conditions, the Trust Deed or the Agency Agreement;
- (e) **Cross-acceleration:** default under any Indebtedness of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries (or the payment of which is guaranteed by the Guarantor or any of the Guarantor's Significant Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of the Trust Deed, which default results in the acceleration of such Indebtedness prior to its maturity, and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, equals or exceeds the higher of US\$35 million (or its equivalent in other currencies) and 2.5 per cent. of the Guarantor's Tangible Net Worth;
- (f) **Insolvency:**
  - (i) the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries (a) commences a voluntary case or proceeding under any applicable Bankruptcy Law, (b) consents to the entry of judgment, decree or order for relief against it in an involuntary case or proceeding under any applicable Bankruptcy Law, (c) consents to the appointment of a Receiver of it or for any substantial part of its property and assets, (d) makes a general assignment for the benefit of its creditors, (e) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it; or (f) takes any corporate action to authorize or effect any of the foregoing; or
  - (ii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (x) is for relief in an involuntary case against the Issuer, the Guarantor or such Significant Subsidiary, as the case may be, (y) appoints a Receiver for all or substantially all of the property and assets of the Issuer, the Guarantor or such Significant Subsidiary, as the case may be; or (z) orders the winding up or liquidation of the Issuer, the Guarantor or such Significant Subsidiary, as the case may be; and in each case under this clause (ii) such order, decree or relief has not been discharged or stayed for a period of 90 days;
- (g) **Failure to pay judgment:** failure by the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries to pay one or more final judgments from a court of competent jurisdiction in the British Virgin Islands, Hong Kong or a member country of the Organisation for Economic Cooperation and Development, aggregating in excess of the greater of U.S.\$35 million (or its equivalent in other currencies) and 2.5 per cent. of the Guarantor's Tangible Net Worth (net of any amounts that are covered by insurance policies issued by solvent carriers), which judgments are not paid, discharged or stayed for a period of 60 days; or
- (h) **Guarantee:** the Guarantee shall cease to be in full force or effect or the Guarantor shall deny or disaffirm its obligations under the Guarantee.

#### 14. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

#### 15. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the relevant Registrar and/or such Transfer Agent may require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

#### 16. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or provided with security and relieved from responsibility in certain circumstances and to be paid its properly incurred fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee and the Agents are entitled to enter into business transactions with the Issuer, the Guarantor, and any entity relating to the Issuer or any of the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

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

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, principal registrar, CMU lodging and paying agent, CMU registrar or calculation agent and additional or successor paying agents; **provided, however, that:**

- (i) the Issuer and the Guarantor shall at all times maintain a principal paying agent and a principal registrar; and
- (ii) the Issuer and the Guarantor shall at all times maintain a CMU lodging and paying agent in relation to Notes accepted for clearance through the CMU Service and (if such Notes are Registered Notes) a CMU registrar; and

- (iii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

## **17. Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together), or by the Trustee and shall be convened by the Trustee (subject to it being first indemnified, pre-funded and/or provided with security to its satisfaction) upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than 66 per cent. or, at any adjourned meeting, not less than 33 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

*So long as the Notes are represented by the Global Note Certificate, an Extraordinary Resolution includes 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 all the Holders of not less than 90 per cent. in principal amount of the Notes for the time being outstanding.*

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

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

In addition, pursuant to Condition 7(i) (*Benchmark Discontinuation*), certain changes may be made to the interest calculation provisions of the Floating Rate Notes in the circumstances and as otherwise set out in such Condition, without the requirement for consent of the Trustee or the Noteholders.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer and the Guarantor as soon as practicable thereafter.

- (c) *Direction from Noteholders*: Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions or the Trust Deed to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or pre-funded and/or provided with security to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages and expenses (including legal expenses) properly incurred, and liabilities which may be incurred, by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of such directions, or in the event that the directions or clarifications sought are not provided by Noteholders.
- (d) *Certificates and reports*: The Trustee may rely without liability to any Noteholder, Couponholder or to any other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Guarantor, the Noteholders and the Couponholders.

## **18. Enforcement**

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

- (i) it has been so requested in writing by the Holders of not less than 25 per cent. of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or pre-funded and/or provided with security to its satisfaction.

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

## 19. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them and the timing for reporting to the NDRC) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

## 20. Notices

- (a) *Bearer Notes*: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper of general circulation in Asia (which is expected to be the *Asian Wall Street Journal* or *The South China Morning Post*). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) *Registered Notes*: Notices to the Holders of Registered Notes shall be sent to them in English at the Issuer's expense at their respective addresses on the Register or published in a leading English language daily newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal* or *The South China Morning Post*). Any such notice shall be deemed to have been given on the date of the first publication or the fourth day after the date of sending, as the case may be.

*So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions, and such notice shall be deemed to have been given to the Noteholders on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system; or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice, and any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice is delivered to the persons shown in the relevant CMU Instrument Position Report.*

## 21. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer and the Guarantor shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency



and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

## **22. Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## **23. Governing Law and Jurisdiction**

- (a) *Governing law*: The Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
- (b) *Jurisdiction*: Each of the Issuer and the Guarantor (i) agrees that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes; (ii) agrees that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) irrevocably appoints Sinochem Europe Holding PLC at its registered office (currently at 17/F, New Zealand House, 80 Haymarket, London, SW1Y 4TE, United Kingdom) as its authorised agent to accept service of any process on its behalf; (iv) consents to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agrees not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (c) *Waiver of immunity*: Each of the Issuer and the Guarantor hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents 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) of any order or judgment made or given in connection with any Proceedings.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following (other than the words in italics) is the text of the terms and conditions of the Securities which, as completed by the relevant Pricing Supplement, will be endorsed on each Security in definitive form issued under the Programme.*

*The terms and conditions applicable to any Security in global form will differ from those terms and conditions which would apply to the Security were it in definitive form to the extent described under “Summary of Provisions Relating to the Instruments while in Global Form” below.*

### 1. Introduction

- (a) *Programme:* Sinochem Offshore Capital Company Limited (the “**Issuer**”) and Sinochem Hong Kong (Group) Company Limited. (the “**Guarantor**”) have established a Medium Term Note and Perpetual Securities Programme (the “**Programme**”) for the issuance of up to U.S.\$10,000,000,000 in aggregate principal amount of notes (the “**Notes**”) and subordinated perpetual securities (the “**Securities**”) guaranteed by the Guarantor. These terms and conditions relate to Securities issued under the Programme.
- (b) *Pricing Supplement:* Securities issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Securities. Each Tranche is the subject of a pricing supplement (the “**Pricing Supplement**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Securities are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) *Trust Deed:* The Securities are constituted by, are subject to, and have the benefit of, a trust deed dated 18 September 2020 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor and Citicorp International Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Securities are the subject of an issue and paying agency agreement dated 18 September 2020 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, and Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), Citicorp International Limited as CMU lodging and paying agent and CMU registrar (the “**CMU Lodging and Paying Agent**” and the “**CMU Registrar**”, respectively, which expression includes any successor CMU lodging and paying agent and CMU registrar appointed from time to time in connection with Securities cleared through the CMU Service), Citibank, N.A., London Branch as principal registrar (the “**Principal Registrar**”, which expression includes any successor principal registrar appointed from time to time in connection with Securities cleared through a clearing system other than the CMU Service, and together with the CMU Registrar, the “**Registrars**” and each, a “**relevant Registrar**”), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities), the transfer agents named therein (together with the Registrars, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities) and the Trustee. In these Conditions references to the “**Agents**” are to the Paying

Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of distribution and other amounts payable in respect of the Securities) to the Principal Paying Agent or the Principal Registrar shall, with respect to a Series of Securities to be held in the CMU Service, be deemed to be a reference to the CMU Lodging and Paying Agent or the CMU Registrar, as the case may be, and all such references shall be construed accordingly.

- (e) *The Securities:* The Securities are issued in registered form. All subsequent references in these Conditions to “Securities” are to the Securities which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing during normal business hours upon prior written request and proof of holding, and may be obtained from the Specified Office of the Principal Paying Agent.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Securityholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Securityholders during normal business hours upon prior written request and proof of holding at the Specified Office of Principal Paying Agent.

## 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

“**Accounting Event**” has the meaning given in Condition 7(d) (*Redemption for accounting reasons*);

“**Additional Financial Centre**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Authorised Signatory**” means

- (a) in relation to the Issuer, any Director of the Issuer or any other person or persons notified to the Trustee by any such Director as being an Authorised Signatory pursuant to the Trust Deed; and
- (b) in relation to the Guarantor, any Director of the Guarantor or any other person or persons notified to the Trustee by any Director of the Guarantor as being an Authorised Signatory pursuant to the Trust Deed;

“**Benchmark Rate**” means

- (a) if the Specified Currency is U.S. dollars, the US Treasury Benchmark Rate;
- (b) if the Specified Currency is Renminbi, the CNY Benchmark Rate; or
- (c) if the Specified Currency is Singapore dollars, the SGD Benchmark Rate;

“**Breach of Covenant Event**” means the non-compliance or non-performance by the Issuer or the Guarantor of any one or more of its obligations and covenants set out in Condition 5 (*Covenants*);

**“Business Day”** means:

- (a) if the Specified Currency is U.S. dollars, a day (other than a Sunday or a Saturday) on which commercial banks are open for general business (including dealings in foreign currencies) in New York City;
- (b) if the Specified Currency is Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and
- (c) if the Specified Currency is Singapore dollars, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets settle payments in Singapore;

**“Business Day Convention”**, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **“FRN Convention”, “Floating Rate Convention” or “Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**“Calculation Agent”** means the Principal Paying Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

**“Calculation Amount”** has the meaning given in the relevant Pricing Supplement;

**“Change of Control”** means, at any time, (1) Sinochem Corporation, a joint stock limited liability company incorporated in the PRC, or any of its Subsidiaries ceasing to own and control (directly or indirectly or in combination) 100 per cent. of the Guarantor’s issued and outstanding capital stock, provided that in the event that (due to the expiration of the period set forth in the definition of “Ratings Decline” or otherwise) a Change of Control Triggering Event shall not have occurred in connection with any such reduction in ownership, any further reduction (together with each such further reduction previously occurred which did not constitute a new Change of Control pursuant to this proviso) greater than 5 per cent. shall constitute a new “Change of Control”; or (2) the government of the PRC or Persons owned and controlled by the government of the PRC ceasing to own and control (directly or indirectly or in combination) at least 50.1 per cent. of the Guarantor’s issued and outstanding capital stock. No Change of Control will be deemed to have occurred unless and until such Change of Control has actually been consummated;

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

**“Clearstream”** means Clearstream Banking S.A.;

**“CMU Service”** means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

**“CNY Benchmark Rate”** has the meaning given in the relevant Pricing Supplement;

**“Comparable Period”** has the meaning given in the relevant Pricing Supplement;

**“Comparable Treasury Issue”** means the U.S. Treasury security selected by the Issuer as having a maturity of Comparable Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of Comparable Period;

**“Comparable Treasury Price”** means:

- (a) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding the relevant Reset Date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities”; or

- (b) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (i) the average of the Reference Treasury Dealer Quotations for the relevant Reset Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations,

if the Comparable Treasury Price cannot be determined in accordance with the above provisions, the US Treasury Benchmark Rate as at the last preceding Reset Date;

**“Compulsory Distribution Payment Event”** means, if Dividend Pusher is specified as being applicable in the relevant Pricing Supplement, during the six-month period ending on the day before the relevant Distribution Payment Date, either or both of the following have occurred:

- (a) a discretionary dividend, discretionary distribution or other discretionary payment has been declared or paid by the Issuer, the Guarantor or any of their respective Subsidiaries on or in respect of any Parity Obligations or Junior Obligations of the Issuer or the Guarantor (except (i) in relation to the Parity Obligations of the Issuer or (as the case may be) the Guarantor on a *pro-rata* basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) for the issue of dividends to the Issuer, the Guarantor or to any intermediate holding company); or
- (b) the Issuer, the Guarantor or any of their respective Subsidiaries has at its discretion redeemed, reduced, cancelled, bought back or otherwise acquired any Parity Obligations or Junior Obligations of the Issuer or the Guarantor (except (i) in relation to the Parity Obligations of the Issuer or (as the case may be) the Guarantor on a *pro-rata* basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) as a result of the exchange or conversion of such Parity Obligations for Junior Obligations of the Issuer or (as the case may be) the Guarantor);

**“Day Count Fraction”** means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (a) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (b) if **“30/360”** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

**“Y1”** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**“Y2”** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;



“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Distribution Commencement Date**” has the meaning given in the relevant Pricing Supplement;

“**Distribution Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

“**Dividend Pusher**” has the meaning given in the relevant Pricing Supplement;

“**Dividend Stopper**” has the meaning given in the relevant Pricing Supplement;

“**Early Redemption Amount (Accounting Event)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Breach of Covenant Event)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Change of Control Event)**” means, in respect of any Security, 101 per cent. of its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Relevant Indebtedness Default Event)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Tax)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Euroclear**” means Euroclear Bank SA/NV;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**First Call Date**” has the meaning given in the relevant Pricing Supplement;

“**Group**” means the Guarantor and its Subsidiaries, including the Issuer, taken as a whole;

**“Guarantee of the Securities”** means the guarantee of the Securities given by the Guarantor in the Trust Deed;

**“HKFRS”** means the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with HKFRS applied on a consistent basis;

**“Holder”** has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Securities*);

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China;

**“Hong Kong Stock Exchange”** means The Stock Exchange of Hong Kong Limited;

**“Indebtedness”** means any indebtedness for or in respect of money borrowed that has a final maturity of one year or more from its date of incurrence or issuance;

**“Initial Distribution Rate”** has the meaning given in the relevant Pricing Supplement;

**“Initial Spread”** has the meaning given in the relevant Pricing Supplement;

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

**“Issue Date”** has the meaning given in the relevant Pricing Supplement;

**“Lien”** means any mortgage, pledge, lien, charge, encumbrance or any other security interest;

**“Maximum Redemption Amount”** has the meaning given in the relevant Pricing Supplement;

**“Minimum Redemption Amount”** has the meaning given in the relevant Pricing Supplement;

**“Junior Obligations”** means, unless otherwise defined in the relevant Pricing Supplement, (a) in relation to the Issuer, (i) any class of the Issuer’s share capital (including without limitation, any preference shares and ordinary shares of the Issuer) or any other securities ranking or is expressed to rank *pari passu* therewith in respect of which all payments of dividends and distributions are discretionary and (ii) any Subordinated Indebtedness issued or guaranteed by the Issuer; and (b) in relation to a Guarantor, (i) any class of such Guarantor’s shares (including without limitation, any preference shares and ordinary shares of such

Guarantor) or any other securities ranking or is expressed to rank *pari passu* therewith in respect of which all payments of dividends and distributions are discretionary and (ii) any Subordinated Indebtedness issued or guaranteed by such Guarantor;

**“Optional Redemption Amount (Issuer)”** means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Optional Redemption Amount (Minimum Outstanding Amount)”** means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Parity Obligations”** means, unless otherwise defined in the relevant Pricing Supplement, any instrument or security (including without limitation any preference share) issued, entered into or guaranteed by the Issuer or (as the case may be) the Guarantor which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with such Securities;

**“Payment Business Day”** means:

- (a) in relation to any sum payable in U.S. dollars, a day (other than a Sunday or a Saturday) on which commercial banks are open for general business (including dealings in foreign currencies) in New York City and in each (if any) Additional Financial Centre;
- (b) in relation to any sum payable in Renminbi, a day (other than a Sunday or a Saturday) on which (i) commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed and (ii) in each (if any) Additional Financial Centre; and
- (c) in relation to any sum payable in Singapore dollars, a day on which commercial banks and foreign exchange markets settle payments in Singapore and in each (if any) Additional Financial Centre;

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

**“Qualifying Securities”** means securities that:

- (a) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by the Issuer, and provided that a certificate to such effect (and confirming that the conditions set out in (i) to (iii) below have been satisfied) of an Authorised Signatory of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities), *provided that*:
  - (i) they are issued by the Issuer or any wholly-owned direct or indirect finance Subsidiary of the Issuer and guaranteed by the Issuer;
  - (ii) they are unconditionally and irrevocably guaranteed by the Guarantor; and
  - (iii) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the Issuer or the Guarantor, shall preserve the Securityholders’ rights to any Arrears of Distribution, any Additional Distribution

Amount and any other payment that has accrued with respect to the relevant Securities, and shall contain terms which provide at least for the same Distribution Rate, Distribution Payment Dates and redemption events, from time to time applying to the Securities; and other terms of such securities are substantially identical (as reasonably determined by the Issuer) to the Securities, save for the modifications or amendments to such terms that are specifically required to be made in order to avoid or resolve a Special Event;

- (b) (if the Securities being substituted or varied pursuant to Condition 14(e) (*Substitution or Variation*) are rated by a rating agency) have been, or will on issue be, assigned at least the same rating as that assigned by such rating agency to the Securities immediately prior to such substitution or variation; and
- (c) (if the Securities being substituted or varied pursuant to Condition 14(e) (*Substitution or Variation*) are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system) are listed, traded and/or quoted by the same competent authority, stock exchange and/or quotation system or such other securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets;

**“Rating Agencies”** means (i) Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors (“**S&P**”); (ii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”); and (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors (“**Fitch**”); and (4) if one or more of S&P, Moody’s or Fitch or shall not make a rating of the Guarantor publicly available, a United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be;

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

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

- (i) in the event the Guarantor (x) is on the Rating Date (A) rated by three Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (y) ceases to be rated Investment Grade by at least two of such Rating Agencies; or
- (ii) in the event the Guarantor (x) is on the Rating Date (A) rated by two but not more Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (y) ceases to be rated Investment Grade by both such Rating Agencies.

**“Reference Treasury Dealer”** means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York, selected by the Issuer in good faith (at its own expense) and notified in writing to the Trustee and the Calculation Agent;

**“Reference Treasury Dealer Quotations”** means, with respect to each Reference Treasury Dealer and any Reset Date, the average as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such Reset Date and then notified in writing by the Issuer to the Trustee and the Calculation Agent;

**“Register”** has the meaning given in the Agency Agreement;

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

**“Relevant Indebtedness Default Event”** means the occurrence of one or more of the following events:

any Indebtedness of the Issuer, the Guarantor or any of the Guarantor’s Significant Subsidiaries (or the payment of which is guaranteed by the Guarantor or any of the Guarantor’s Significant Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of the Trust Deed, which default results in the acceleration of such Indebtedness prior to its maturity, and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, equals or exceeds the higher of US\$35 million (or its equivalent in other currencies) and 2.5 per cent. of the Guarantor’s Tangible Net Worth;

**“Relevant Reset Distribution Rate”** means a rate of interest expressed as a percentage per annum equal to the sum of (a) the Initial Spread, (b) the applicable Benchmark Rate and (c) a margin of the Step-Up Rate;

**“Reserved Matter”** means any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce or cancel the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of any payment under the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**“Reset Date”** has the meaning given in the relevant Pricing Supplement;

**“Security Interest”** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**“Securityholder”** has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Securities*);

**“SGD Benchmark Rate”** has the meaning given in the relevant Pricing Supplement;

**“Significant Subsidiary”** means any Subsidiary that would be a **“significant subsidiary”** of the Issuer or the Guarantor within the meaning of Rule 1–02 under Regulation S-X promulgated by the U.S. Securities and Exchange Commission; provided that in each instance in such definition in which the term **“10 per cent.”** is used, the term **“15 per cent.”** shall be substituted therefor.

**“Special Event”** means a Withholding Tax Event, an Accounting Event or otherwise specified in the relevant Pricing Supplement;

**“Specified Currency”** has the meaning given in the relevant Pricing Supplement;

**“Specified Denomination(s)”** has the meaning given in the relevant Pricing Supplement;

**“Specified Office”** has the meaning given in the Agency Agreement;

**“Specified Period”** has the meaning given in the relevant Pricing Supplement;

**“Step-Up Event”** means the occurrence of a Change of Control Event, a Breach of Covenant Event or a Relevant Indebtedness Default Event;

**“Step-Up Rate”** means 3.00 per cent. per annum, unless otherwise specified in the relevant Pricing Supplement;

**“Stock Exchange”** means The Stock Exchange of Hong Kong Limited;

**“Subordinated Indebtedness”** means, with respect to the definition of Junior Obligations, all Indebtedness for money borrowed or raised which, in the event of the Winding-Up of the issuer thereof, ranks or is expressed to rank, by its terms or by operation of law, in right of payment behind the claims of unsecured and unsubordinated creditors of such issuer, and for this purpose “Indebtedness” shall include all liabilities, whether actual or contingent;

**“Subsidiary”** means in relation to any person and at any particular time any entity of which more than 50 per cent. of the issued share capital is then beneficially owned by such person and/or one or more of its Subsidiaries;

**“Tangible Net Worth”** means, as of the last day of each 12 month period ending on 30 June or 31 December in each year, the consolidated total equity of the Guarantor, as determined from the financial statements for that relevant period:

- (a) plus any subordinated shareholders’ loans and any amount standing to the credit of the profit and loss account of the Guarantor as of the last day of that relevant period (to the extent such amount is not reflected in the reserves of the Guarantor referred to above);
- (b) less (i) goodwill and other intangible assets and (ii) minority interests.

**“Trading Day”** means a day on which the Hong Kong Stock Exchange is open for dealing business;

**“US Treasury Benchmark Rate”** means the rate in per cent. per annum equal to the yield, under the heading that represents the average for the week ending two Business Days prior to each Reset Date for calculating the Relevant Reset Distribution Rate under Condition 6(d)(ii)(B) (*Distribution — Rate of Distribution*), appearing in the most recently published



statistical release designated “H.15(519)” (weblink: <http://www.federalreserve.gov/releases/h15/current/default.htm>) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date for calculation or does not contain such yields, “**US Treasury Benchmark Rate**” means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Reset Date under Condition 6(d) (*Distribution — Rate of Distribution*);

“**Winding-Up**” means a final and effective court order or effective resolution by a competent authority in the respective jurisdiction of the Issuer or the Guarantor for the winding-up, liquidation or similar proceedings in respect of the Issuer or the Guarantor; and

“**Withholding Tax Event**” has the meaning given in Condition 7(b) (*Redemption for tax reasons*).

(b) *Interpretation:* In these Conditions:

- (i) any reference to principal shall be deemed to include the Early Redemption Amount (Accounting Event), Early Redemption Amount (Change of Control Event), Early Redemption Amount (Tax), Early Redemption Amount (Breach of Covenant Event), Early Redemption Amount (Relevant Indebtedness Default Event), Optional Redemption Amount (Issuer), Optional Redemption Amount (Minimum Outstanding Amount), any additional amounts in respect of principal which may be payable under Condition 9 (*Taxation*), any premium payable in respect of a Security and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to Distribution, Arrears of Distribution and Additional Distribution Amount shall be deemed to include any additional amounts in respect of such Distribution, Arrears of Distribution or, as the case may be, Additional Distribution Amount which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of distribution payable pursuant to these Conditions;
- (iii) references to Securities being “outstanding” shall be construed in accordance with the Trust Deed;
- (iv) if an expression is stated in Condition 2(a) (*Interpretation — Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Securities; and
- (v) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Securities.

### 3. **Form, Denomination, Title and Transfer**

- (a) *Form and Denomination:* Securities are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

- (b) *Title to Securities:* The relevant Registrar will maintain a register (the “**Register**”) in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Security Certificate**”) will be issued to each Holder of Securities in respect of its registered holding. Each Security Certificate will be numbered serially with an identifying number which will be recorded in the Register. “**Holder**” means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Securityholder**” shall be construed accordingly.
- (c) *Ownership:* The Holder of any Security shall (except 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 any other interest therein, any writing on the Security Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Security under the Contracts (Rights of Third Parties) Act 1999.
- (d) *Transfers of Securities:* Subject to paragraphs (g) (*Closed periods*) and (h) (*Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Security Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or any Transfer Agent, together with such evidence as the relevant Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Specified Denominations. Where not all the Securities represented by the surrendered Security Certificate are the subject of the transfer, a new Security Certificate in respect of the balance of the Securities will be issued to the transferor.
- (e) *Registration and delivery of Security Certificates:* Within five business days of the surrender of a Security Certificate and provision of the required evidence in accordance with paragraph (d) (*Transfers of Securities*) above, the relevant Registrar will register the transfer in question and deliver a new Security Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (f) *No charge:* The transfer of a Security will be effected without charge by or on behalf of the Issuer or the relevant Registrar or any Transfer Agent but against such payment or indemnity as the Issuer, the relevant Registrar or (as the case may be) such Transfer Agent may require in respect of (i) any costs or expenses of delivery, or (ii) any stamp duty, tax, other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such transfer and registration thereof.
- (g) *Closed periods:* Securityholders may not require transfers to be registered during the period of 15 days ending on (and including) (i) any Record Date (as defined in Condition 8(f) (*Record Date*)) for any payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount), (ii) the due date for redemption of the Securities, or (iii) any date on which the Securities may be called for redemption by the Issuer at its option pursuant to Condition 7 (*Redemption and Purchase*).

- (h) *Regulations concerning transfers and registration:* All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar and the Trustee. A copy of the current regulations will be made available for inspection by the relevant Registrar to any Securityholder upon prior written request and proof of holding.

#### **4. Status of the Securities and Guarantee of the Securities**

- (a) *Status of the Securities:* The Securities constitute direct, general, unconditional and subject to Condition 5(a) (*Negative Pledge*) below) unsecured and subordinated obligations of the Issuer which will at all times rank *pari passu* and without any preference and priority among themselves and with any Parity Obligations of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in this Condition 4.
- (b) *Status of the Guarantee of the Securities:* The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed on a subordinated basis the due and punctual payment in full of all sums expressed to be from time to time payable by the Issuer under the Trust Deed and in respect of the Securities. The Guarantee of the Securities constitutes direct, general, unconditional and (subject to Condition 5(a) (*Negative Pledge*) unsecured and subordinated obligations of the Guarantor which will at all times rank at least *pari passu* with any Parity Obligations of the Guarantor. The rights and claims of the Holders in respect of the Guarantee of the Securities are subordinated as provided in this Condition 4.
- (c) *Ranking of claims in respect of the Securities:* Subject to applicable law, in the event of the Winding-Up of the Issuer, the rights and claims of the Holders in respect of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Obligations of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Issuer, other than the claims of holders of Parity Obligations of the Issuer.
- (d) *Ranking of claims in respect of the Guarantee of the Securities:* Subject to applicable law, in the event of the Winding-Up of the Guarantor, the rights and claims of the Holders in respect of the Guarantee of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Obligations of the Guarantor, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Guarantor, other than the claims of holders of Parity Obligations of the Guarantor.
- (e) *Set-off — Securities:* Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

- (f) *Set-off — Guarantee of the Securities:* Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with the Guarantee of the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Guarantor in respect of, or arising under or in connection with the Guarantee of the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.

*Upon issue, the Securities will be evidenced by a global Certificate (the “Global Certificate”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream and will be exchangeable for individual Certificates only in the circumstances set out therein.*

## 5. Covenants

- (a) *Negative Pledge:* So long as any Instrument remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will create or permit to subsist any Lien upon the whole or any part of its property or assets, present or future, to secure any Indebtedness (or to secure for the benefit of the holders thereof any guarantee or indemnity in respect thereof) without, in any such case, effectively providing that the Instruments and the Guarantee will be secured equally and rateably with, and prior to incurring such Indebtedness (or such guarantee or indemnity in respect thereof), unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (other than the Indebtedness secured by Liens described in clauses (i) through (vii) below) would not exceed 5 per cent. of the Guarantor’s Tangible Net Worth.

The foregoing restriction will not apply to:

- (i) any Lien existing on or prior to the date of issue of the Instruments;
- (ii) any Lien existing on any property or asset prior to the acquisition thereof by the Issuer or the Guarantor or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (iii) any Lien on any property or asset securing Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof; provided that such Lien attaches to such property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;
- (iv) any Lien securing Indebtedness owing to or held by the Issuer or the Guarantor;
- (v) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;

- (vi) Liens on money paid to or money or securities deposited with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Issuer or the Guarantor in respect of Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full); or
- (vii) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses; provided that such Indebtedness is not increased and is not secured by any additional property or assets.

(b) *Other Covenants:*

- (i) The Guarantor shall ensure that the Issuer shall at all times remain a wholly-owned subsidiary of the Guarantor. The Issuer shall not carry on any business activities other than those in connection with issuance of the notes or the perpetual securities (including the Instruments to be issued under the Programme) and advance of the net proceeds of the issuance to the Guarantor.
- (ii) The Issuer will not hold any debts or securities (including deposits and loans) that give rise to U.S. source income or gross income that is effectively connected with the conduct of a U.S. trade or business for U.S. federal income tax purposes.
- (iii) Where the NDRC Quota is available to a Tranche of Securities, the Issuer and the Guarantor undertake that, after the Issue Date, the Issuer shall, and the Guarantor shall procure the Issuer to, report or cause to be reported to the NDRC the requisite information within the time period as required by the NDRC; where the NDRC Quota is not available to a Tranche of Securities, the Issuer and the Guarantor undertake that they will make or procure to be made a pre-issuance registration with the NDRC, followed by a post-issuance reporting with the NDRC within the prescribed time following issuance of the Securities pursuant to the NDRC Circular.

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

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

“**NDRC Quota**” means the annual or otherwise general quota granted by the NDRC pursuant to The Registration Certificate of Enterprise Foreign Debt (企業借用外債備案登記證明) issued by the NDRC on 17 April 2020 or its equivalent from time to time.

## 6. Distribution

- (a) *Distribution:* Subject to Condition 6(e) (*Distribution — Distribution Deferral*) below, the Securities confer a right to receive distribution (each a “**Distribution**”) from the Distribution Commencement Date at the Distribution Rate (as defined below) payable in arrear on each Distribution Payment Date in accordance with this Condition 6.

Subject to Condition 6(e) (*Distribution — Distribution Deferral*) below, Distribution shall be payable on the Securities on each Distribution Payment Date and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention;  
or
  - (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Distribution Commencement Date (in the case of the first Distribution Payment Date) or the previous Distribution Payment Date (in any other case).
- (b) *Distribution Accrual:* Each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused, in which case, Distribution shall continue to accrue in accordance with this Condition 6 (*Distribution*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Security up to that day are received by or on behalf of the relevant Securityholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Securityholders that it has received all sums due in respect of the Security up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Calculation of distribution amount:* The amount of Distribution payable in respect of each Security for any period shall be calculated by applying the Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Security divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency, the lowest amount of such currency that is available as legal tender in the country of such currency.
- (d) *Rate of Distribution:* Subject to any increase pursuant to Condition 6(f) (*Distribution — Increase in Distribution Rate following occurrence of certain events*), the rate of distribution (the “**Distribution Rate**”) applicable to the Securities shall be:
- (i) (if no Reset Date is specified in the relevant Pricing Supplement) the Initial Distribution Rate; and
  - (ii) (if a Reset Date is specified in the relevant Pricing Supplement):
    - (A) in respect of each Distribution Payment Date, the period from, and including, the Distribution Commencement Date to, but excluding, the First Call Date, the Initial Distribution Rate; and
    - (B) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.



The Calculation Agent shall cause the Relevant Reset Distribution Rate and (where the Specified Currency is Renminbi or Singapore dollars) the relevant Distribution Payment Date to be notified to the Issuer, the Paying Agents, the Trustee, the relevant Registrar and the Securityholders in accordance with Condition 17 (*Notices*) and, if the Securities are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as reasonably practicable after the relevant Reset Date or the relevant Distribution Payment Date or, in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6(d) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Trustee and Securityholders. In the absence of fraud, or wilful default or gross negligence, no liability to any such Person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(e) *Distribution Deferral:*

- (i) *Optional Deferral:* The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an “**Optional Deferral Notice**”) to the Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than seven Business Days prior to the relevant Distribution Payment Date (an “**Optional Deferral Event**”), provided that if Dividend Pusher is specified as applicable in the relevant Pricing Supplement, a Compulsory Distribution Payment Event has not occurred. Any partial payment of outstanding Distribution (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.
- (ii) *No obligation to pay:* The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with subparagraph (i) above and any failure to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount), in whole or in part, shall not constitute a default of the Issuer in respect of the Securities.
- (iii) *Requirements as to Notice:* Each Optional Deferral Notice shall be accompanied by a certificate substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory of the Issuer confirming that an Optional Deferral Event has occurred and is continuing, and if Dividend Pusher is specified as applicable in the relevant Pricing Supplement, confirming that no Compulsory Distribution Payment Event has occurred and is continuing. Each Optional Deferral Notice shall be conclusive and binding on the Securityholders.

The Trustee shall be entitled to accept and rely upon such certificate as sufficient evidence of the occurrence of an Optional Deferral Event, in which event it shall be conclusive and binding on the Securityholders.

- (iv) *Cumulative Deferral*: Any Distribution deferred pursuant to this paragraph (e) shall constitute “**Arrears of Distribution**” . The Issuer may, at its sole discretion, elect (in the circumstances set out in sub-paragraph (i) above) to further defer (in whole or in part) any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to this paragraph (e).

Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such additional distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 6 (*Distribution*) and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 6 (*Distribution*). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

- (v) *Restrictions in the case of Deferral*: If Dividend Stopper is specified in the relevant Pricing Supplement as being applicable and if on any Distribution Payment Date, payment of all Distribution payments (including any Arrears of Distribution and any Additional Distribution Amount) scheduled to be made on such date is not made in full by reason of Condition 6 (*Distribution — Distribution Deferral*), each of the Issuer and the Guarantor undertakes, and undertakes to procure their respective Subsidiaries:

- (A) not to declare or pay any discretionary dividend, discretionary distribution or any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, in each case, on or in respect of any of its Parity Obligations or Junior Obligations (except (1) in relation to the Parity Obligations on a *pro-rata* basis, or (2) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (3) for the issue of dividends to the Issuer, the Guarantor or to any intermediate holding company); and
- (B) not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any of its Parity Obligations or Junior Obligations (except (1) in relation to the Parity Obligations on a *pro-rata* basis, (2) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (3) as a result of the exchange or conversion of such Parity Obligations for Junior Obligations,

in each case, unless and until the Issuer (failing whom, the Guarantor) (aa) has satisfied in full all outstanding Arrears of Distribution and any Additional Distribution Amounts or (bb) is permitted to do so by an Extraordinary Resolution and/or otherwise specified in the relevant Pricing Supplement.

- (vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer:

- (A) may satisfy any Arrears of Distribution and any Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the

Principal Paying Agent in writing not less than 5 nor more than 20 Business Days prior to the proposed payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and Additional Distribution Amounts, on the payment date specified in such notice); and

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

- (1) the date of redemption of the Securities in accordance with the redemption events set out in Condition 7 (*Redemption and Purchase*) with respect to the amount for redemption;
- (2) the next Distribution Payment Date falling immediately after a breach of Condition 6(e)(v) (*Distribution — Distribution Deferral — Restrictions in the case of Deferral*) or the occurrence of a Compulsory Distribution Payment Event;
- (3) a Winding-Up of the Issuer or the Guarantor; and
- (4) the date of any substitution or variation in accordance with Condition 14(e).

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

(vii) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this paragraph (e) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 10 (*Non-payment*)) on the part of the Issuer or the Guarantor under the Securities or for any other purpose.

(f) *Increase in Distribution Rate following occurrence of certain events*:

(i) *Increase in Distribution Rate*: If specified in the relevant Pricing Supplement as being applicable, upon the occurrence of a Step-Up Event, unless (A) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent pursuant to Condition 7 (*Redemption and Purchase*) by the 30th day following the occurrence of the relevant Step-Up Event or (B) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by the Step-Up Rate with effect from (1) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (2) if the date on which the relevant Step-Up Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, **provided that** the maximum aggregate increase in the Distribution Rate pursuant to this paragraph (f) shall be the Step-Up Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this paragraph (f) is separate from and in addition to any increase in the Distribution Rate pursuant to sub-paragraph (d)(ii) above.

Any increase in the Distribution Rate pursuant to this paragraph (f) shall be notified by the Issuer to the Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent in writing no later than the 30th day following the occurrence of the relevant Step-Up Event.

- (ii) *Decrease in Distribution Rate*: If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by the Step-Up Rate with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event **provided that** the maximum aggregate decrease in the Distribution Rate pursuant to this paragraph (f) shall be the Step-Up Rate.

## 7. Redemption and Purchase

- (a) *No fixed redemption*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (without prejudice to Condition 10 (*Non-payment*)), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 7 (*Redemption and Purchase*).
- (b) *Redemption for tax reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer satisfies the Trustee that:
  - (i) (1) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 9 (*Taxation*)) as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Securities; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
  - (ii) (1) the Guarantor has or (if a demand was made under the Guarantee of the Securities) would become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Securities, and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

(each of (i) or (ii) above, a "**Withholding Tax Event**") **provided, however, that** no such notice of redemption shall be given earlier than 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer or

the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due or (as the case may be) a demand under the Guarantee of the Securities were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (x) a certificate signed by an Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 7(b), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option (Issuer) is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable) and shall oblige the Issuer to redeem the Securities at their Optional Redemption Amount (Issuer) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) on the First Call Date (if the notice is given before the First Call Date) or on any Distribution Payment Date after the First Call Date (if the notice is given after the First Call Date) (each, a "**Call Date**").

Upon the expiry of any such notice as is referred to in this Condition 7(c) (*Redemption and Purchase — Redemption at the option of the Issuer*), the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with this Condition 7(c) (*Redemption and Purchase — Redemption at the option of the Issuer*).

If the Securities are to be redeemed in part only on a relevant Call Date in accordance with this Condition 7(c) (*Redemption and Purchase — Redemption at the option of the Issuer*), each Security shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Securities to be redeemed on the relevant Call Date bears to the aggregate principal amount of outstanding Securities on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Issuer) shall in no event be greater than the maximum or be less than the minimum so specified.

- (d) *Redemption for accounting reasons:* The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at:

- (i) their Early Redemption Amount (Accounting Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
- (ii) their principal amount, together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if, immediately before giving such notice, the Issuer satisfies the Trustee that (such event, an “**Accounting Event**”) as a result of any changes or amendments to, or a change or amendment to any interpretation of, Hong Kong Financial Reporting Standards or any other generally accepted accounting standards that may be adopted by the Guarantor for the purposes of preparing its consolidated financial statements (the “**Relevant Accounting Standards**”), the Securities in whole or in part must not or must no longer be recorded as “equity” of the Guarantor in the consolidated financial statements of the Guarantor pursuant to the Relevant Accounting Standards.

Prior to the publication of any notice of redemption pursuant to this Condition 7(d) (*Redemption and Purchase — Redemption for accounting reasons*), the Issuer or the Guarantor shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate signed by any Authorised Signatory of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and that such Accounting Event cannot be avoided by the Guarantor taking reasonable measures available to it; and
- (B) an letter, opinion or report from the Guarantor’s independent auditors, in form and substance satisfactory to the Trustee, stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to or the relevant change or amendment to the relevant interpretation of, the Relevant Accounting Standards is due to take effect,

**provided, however that** no notice of redemption may be given under this Condition 7(d) (*Redemption and Purchase — Redemption for accounting reasons*) earlier than 90 days (or such period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the relevant change or amendment to the Relevant Accounting Standards is due to take effect in relation to the Guarantor.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 7(d) (*Redemption and Purchase — Redemption for accounting reasons*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(d) (*Redemption and Purchase — Redemption for accounting reasons*) *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as “equity” of the Issuer pursuant to the Relevant Accounting Standards.



- (e) *Redemption for a Change of Control Event*: If Change of Control Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at:
- (i) their Early Redemption Amount (Change of Control Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
  - (ii) their principal amount, together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if a Change of Control Triggering Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition 7(e) (*Redemption and Purchase — Redemption for a Change of Control Event*), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by an Authorised Signatory of the Issuer stating that a Change of Control Event has occurred and setting out the details of such circumstances.

The Trustee shall be entitled to accept and rely upon such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 7(e) (*Redemption and Purchase — Redemption for a Change of Control Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(e) (*Redemption and Purchase — Redemption for a Change of Control Event*).

- (f) *Redemption for a Breach of Covenant Event*: If Breach of Covenant Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Breach of Covenant Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) upon the occurrence of a Breach of Covenant Event.

Upon the expiry of any such notice as is referred to in this Condition 7(f) (*Redemption and Purchase — Redemption for a Breach of Covenant Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(f) (*Redemption and Purchase — Redemption for a Breach of Covenant Event*).

- (g) *Redemption for a Relevant Indebtedness Default Event*: If Relevant Indebtedness Default Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Relevant Indebtedness Default

Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) upon the occurrence of a Relevant Indebtedness Default Event.

Upon the expiry of any such notice as is referred to in this Condition 7(g) (*Redemption and Purchase — Redemption for a Relevant Indebtedness Default Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(g) (*Redemption and Purchase — Redemption for a Relevant Indebtedness Default Event*).

- (h) *Redemption for minimum outstanding amount:* The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Optional Redemption Amount (Minimum Outstanding Amount) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.

Upon the expiry of any such notice as is referred to in this Condition 7(h) (*Redemption and Purchase — Redemption for minimum outstanding amount*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(h) (*Redemption and Purchase — Redemption for minimum outstanding amount*).

- (i) *No other redemption:* The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Condition 7(b) (*Redemption and Purchase — Redemption for tax reasons*), 7(d) (*Redemption and Purchase — Redemption for accounting reasons*) and 7(h) (*Redemption and Purchase — Redemption for minimum outstanding amount*) and, to the extent specified as being applicable in the relevant Pricing Supplement, in Condition 7(c) (*Redemption and Purchase — Redemption at the option of the Issuer*), 7(e) (*Redemption and Purchase — Redemption for a Change of Control Event*), 7(f) (*Redemption and Purchase — Redemption for a Breach of Covenant Event*) and 7(g) (*Redemption and Purchase — Redemption for a Relevant Indebtedness Default Event*) and/or as otherwise specified in the relevant Pricing Supplement.
- (j) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.
- (k) *Cancellation:* All Securities so redeemed or purchased by the Issuer, the Guarantor, or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Securities shall be discharged.
- (l) *Calculation:* Neither the Trustee nor any of the Agents (other than the Calculation Agent and solely in respect of its functions as an appointed Calculation Agent of the Issuer) shall be responsible for calculating or verifying the calculations of any amount under any notice of redemption and shall not be liable to the Securityholders or any other person for not doing so.
- (m) *Notices of redemption:* If there is more than one notice of redemption given in respect of any Security (which shall include any notice given by the Issuer pursuant to Condition 7(b) (*Redemption for tax reasons*), Condition 7(c) (*Redemption at the option of the Issuer*),

Condition 7(d) (*Redemption for accounting reasons*), Condition 7(e) (*Redemption for a Change of Control Event*), Condition 7(f) (*Redemption for a Breach of Covenant Event*) or Condition 7(g) (*Redemption for a Relevant Indebtedness Default Event*)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

## 8. Payments

(a) *Principal*: Payments of principal shall be made:

- (i) in the case of U.S. dollar, by transfer to an account denominated in U.S. dollars and maintained by the payee;
- (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong; and
- (iii) in the case of Singapore dollars, by transfer to an account denominated in Singapore dollars and maintained by the payee,

and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Security Certificates at the Specified Office of any Paying Agent

(b) *Distribution*: Payments of Distribution shall be made:

- (i) in the case of U.S. dollar, by transfer to an account denominated in U.S. dollars and maintained by the payee;
- (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Business Day before the due date for payment; and
- (iii) in the case of Singapore dollars, by transfer to an account denominated in Singapore dollars and maintained by the payee,

and (in the case of Distribution payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Security Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto. Neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws. No commissions or expenses shall be charged to the Securityholders in respect of such payments.

- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Security Certificate is surrendered or (in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Registered Security shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Security Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Security Certificate.
- (f) *Record date:* Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the close of business in the place of the relevant Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

For so long as any of the Securities that are cleared through Euroclear or Clearstream are represented by a Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January. For so long as any of the Securities that are cleared through the CMU Service are represented by a Global Certificate, payments of distribution or principal will be made to the persons for whose account a relevant interest in that Global Certificate is credited as being held by the operator of the CMU Service at the relevant time, as notified to the CMU Lodging and Paying Agent by the operator of the CMU Service in a relevant CMU Instrument Position Report (as defined in the rules of CMU) or in any other relevant notification by the operator of the CMU Service. Such payment will discharge the Issuer's obligations in respect of that payment. Any payments by CMU participants to indirect participants will be governed by arrangements agreed between CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

## 9. Taxation

- (a) *Gross up:* All payments of principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or the People's Republic of China (the "**PRC**", which for these purposes exclude the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) or of any political subdivision or taxing authority thereof or therein (each, a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the

case may be) the Guarantor shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Securityholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:

- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of its having some connection with the Relevant Jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Security; or
- (ii) which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such Additional Amounts on surrender of such Security for payment on the last day of such period of 30 days assuming that day to have been a Payment Business Day. “**Relevant Date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been duly given to the holders of the Securities; or
- (iii) to a holder (or to a third party on behalf of a holder) who would have been able to avoid such withholding or deduction by duly presenting or surrendering the Security to another paying agent having a specified office in a principal international financial centre outside the PRC; or
- (iv) with respect to any tax, duty, assessment or other governmental charge that would not have been imposed but for the failure of the holder or beneficial owner to comply with a timely request of the Issuer or the Guarantor addressed to the holder or beneficial owner to provide certification; or
- (v) information concerning the nationality, residence or identity of the holder or beneficial owner of the Security, if compliance is required as a precondition to relief or exemption from the tax, duty assessment or governmental charge; or
- (vi) any estate, inheritance, gift, sale, transfer, personal property, or similar tax, duty, assessment or other governmental charge; or
- (vii) any combination of paragraphs (i) to (vi) above.

Additional Amounts will not be paid to a holder who is a fiduciary, a partnership or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Relevant Jurisdiction to be included in the income of a beneficiary or settlor with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder.

For the avoidance of doubt, no Additional Amounts will be required to be paid on account of, and payments on the Securities and under the Guarantee will be paid net of, any deduction or withholding imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code or any current or future regulations issued thereunder (“**FATCA**”),

any intergovernmental agreement entered into with respect to FATCA, or any fiscal or regulatory legislation, rules or practices entered into in connection with any such intergovernmental agreement.

Any reference in the Securities to principal, premium (if any) and/or Distribution shall be deemed to include any Additional Amounts which may be payable above.

- (b) *Taxing jurisdiction:* If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Hong Kong or the PRC respectively, references in these Conditions to the British Virgin Islands, Hong Kong or the PRC shall be construed as references to the British Virgin Islands, Hong Kong or the PRC and/or such other jurisdiction.
- (c) *Trustee and Agents:* Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 12 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Securities without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

## 10. Non-payment

- (a) *Non-payment when due:* Notwithstanding any of the provisions below in this Condition 10 (*Non-payment*), the right to institute proceedings for Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 6(e) (*Distribution Deferral*). In addition, nothing in this Condition 10(a), including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer or the Guarantor, in respect of any costs, charges, fees or expenses properly incurred or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.
- (b) *Proceedings for Winding-Up:* If (i) there is a Winding-Up of the Issuer or the Guarantor (in the case of Guarantor, on a voluntary basis), or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or under the Trust Deed for a period of 10 days or more after the date on which such payment is due (each, an “**Enforcement Event**”), the Issuer and/or the Guarantor shall be deemed to be in default under the Trust Deed, the Securities and, as the case may be, the Guarantee of the Securities and the Trustee may, subject to the provisions of Condition 10(d) (*Non-payment — Entitlement of Trustee*) below, institute proceedings for the Winding-Up of the Issuer, the Guarantor or any combination of them and/or prove in the Winding-Up of the Issuer, the Guarantor or any combination of them and/or claim in the liquidation of the Issuer, the Guarantor or any combination of them for such payment, as provided in the Trust Deed.
- (c) *Enforcement:* Without prejudice to Condition 10(b) (*Non-payment — Proceedings for Winding-Up*) but subject to the provisions of Condition 10(d) (*Non-payment — Entitlement of Trustee*) below, the Trustee may at its discretion and without notice to the Issuer and/or the Guarantor institute such proceedings against the Issuer, the Guarantor or any combination of



them as it may think fit to enforce any term or condition binding on the Issuer and the Guarantor under the Trust Deed, the Securities and, as the case may be, the Guarantee of the Securities (other than any payment obligation of the Issuer or the Guarantor under or arising from the Securities, the Guarantee of the Securities or, as the case may be, the Trust Deed, including, without limitation, payment of any principal, premium (if any) or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations) and, in no event shall the Issuer or Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. The rights and remedies of the Trustee and the Holders under the Securities and the Trust Deed are cumulative and not exclusive of any rights or remedies provided by law.

- (d) *Entitlement of Trustee:* The Trustee at its discretion may and, if so requested in writing by Securityholders of not less than 25 per cent. of the aggregate principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall take any of the actions referred to in Condition 10(b) (*Non-payment — Proceedings for Winding-Up*) or Condition 10(c) (*Non-payment — Enforcement*) above against the Issuer, the Guarantor or any combination of them to enforce the terms of the Trust Deed, the Securities or, as the case may be, the Guarantee of the Securities subject in any such case to the Trustee having been indemnified, pre-funded and/or provided with security to its satisfaction.
- (e) *Right of Securityholders:* No Securityholders shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer and the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 10 (*Non-payment*).
- (f) *Extent of Securityholders' remedy:* No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 10 (*Non-payment*), shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities, the Guarantee of the Securities or under the Trust Deed or in respect of any breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities, the Guarantee of the Securities or under the Trust Deed.

## **11. Prescription**

Claims for principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on redemption in respect of Securities shall become void unless the relevant Security Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## **12. Replacement of Security Certificates**

If any Security Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the relevant Registrar (and, if the Securities are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection

with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the relevant Registrar and/or such Transfer Agent may require. Mutilated or defaced Security Certificates must be surrendered before replacements will be issued.

### **13. Trustee and Agents**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or provided with security and relieved from responsibility in certain circumstances and to be paid its properly incurred fees, costs and expenses in priority to the claims of the Securityholders. In addition, the Trustee and the Agents are entitled to enter into business transactions with the Issuer, the Guarantor, and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Securityholders as a class and will not be responsible for any consequence for individual Securityholders as a result of such Securityholders being connected in any way with a particular territory or taxing jurisdiction.

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

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, principal registrar, CMU lodging and paying agent, CMU registrar or calculation agent and additional or successor paying agents; **provided, however, that:**

- (i) the Issuer and the Guarantor shall at all times maintain a principal paying agent and a principal registrar; and
- (ii) the Issuer and the Guarantor shall at all times maintain a CMU lodging and paying agent and a CMU registrar in relation to Securities accepted for clearance through the CMU Service; and
- (iii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Securities are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

### **14. Meetings of Securityholders; Modification and Waiver; Substitution or Variation**

- (a) *Meetings of Securityholders:* The Trust Deed contains provisions for convening meetings of Securityholders to consider matters relating to the Securities, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together), or by the Trustee and shall be convened by the Trustee (subject to it being

first indemnified, pre-funded and/or provided with security to its satisfaction) upon the request in writing of Securityholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, one or more Persons being or representing Securityholders whatever the principal amount of the Securities held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Securityholders at which two or more Persons holding or representing not less than 66 per cent. or, at any adjourned meeting, not less than 33 per cent. of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Securityholders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Securities who for the time being are entitled to receive notice of a meeting of Securityholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

*So long as the Securities are represented by the Global Certificate, an Extraordinary Resolution includes 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 all the Holders of not less than 90 per cent. in principal amount of the Securities for the time being outstanding.*

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

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

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Securityholders by the Issuer as soon as practicable thereafter.

- (c) *Direction from Securityholders:* Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions or the Trust Deed to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Securityholders by way of an Extraordinary Resolution and shall have been indemnified and/or pre-funded and/or provided with security to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages and expenses (including legal expenses) properly incurred, and liabilities which may be incurred, by it in connection

therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of such directions, or in the event that the directions or clarifications sought are not provided by Noteholders.

- (d) *Certificates and reports:* The Trustee may rely without liability to any Securityholder or to any other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Securityholders.
- (e) *Substitution or Variation:* If Special Event Substitution or Variation is specified in the relevant Pricing Supplement as being applicable and if a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 6 (*Distribution*) (without any requirement for the consent or approval of the Securityholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to in this Condition that the provisions of this Condition 14(e) (*Substitution or Variation*) have been complied with, and having given not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable), at any time either (i) substitute in whole, but not in part, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 14(e) (*Substitution or Variation*)) and subject to the receipt by it of the certificate of an Authorised Signatory of the Issuer referred to in this Condition) agree to such substitution or variation.

Upon the expiry of any such notice as is referred to in this Condition 14(e) (*Substitution or Variation*), the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 14(e) (*Substitution or Variation*).

In connection therewith, any outstanding Arrears of Distributions (including any Additional Distribution Amount) will be satisfied in full in accordance with the provisions of Condition 6(e)(iv) (*Satisfaction of Arrears of Distribution by payment*).

The Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the term of the proposed Qualifying Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon the Trustee. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Securities as provided in Condition 7 (*Redemption and Purchase*).

In connection with any substitution or variation in accordance with this Condition 14(e) (*Substitution or Variation*), the Issuer shall comply with the rules of any competent authority, stock exchange and/or quotation system on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

## 15. Enforcement

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

- (i) it has been so requested in writing by the Securityholders not less than 25 per cent. of the aggregate principal amount of the outstanding Securities or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified and/or pre-funded and/or provided with security to its satisfaction.

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

## 16. Further Issues

The Issuer may from time to time, without the consent of the Securityholders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distribution and the timing for reporting to the NDRC) so as to form a single series with the Securities. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of securities having the benefit of the Trust Deed.

## 17. Notices

Notices to the Securityholders shall be sent to them in English at the Issuer's expense at their respective addresses on the Register or published in a leading English language daily newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal* or *The South China Morning Post*). Any such notice shall be deemed to have been given on the date of the first publication or the fourth day after the date of sending, as the case may be.

*So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Securities of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions, and such notice shall be deemed to have been given to the Securityholders on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system; or (ii) the CMU Service, notices to the holders of Securities of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice, and any such notice shall be deemed to have been given to the holders of the Securities on the second day after the day on which the said notice is delivered to the persons shown in the relevant CMU Instrument Position Report.*

## 18. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Securities or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Securities, the Issuer and the Guarantor shall

indemnify each Securityholder, on the written demand of such Securityholder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Securityholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

## 19. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), and (c) all amounts denominated in Renminbi, Singapore dollars or any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 20. Governing Law and Jurisdiction

- (a) *Governing law*: The Securities and the Trust Deed and all non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by English law, except that the subordination provisions applicable to (i) the Issuer set out in Condition 4(a) (*Form, Denomination, Status and Guarantee — Status of the Securities*), Condition 4(c) (*Form, Denomination, Status and Guarantee — Ranking of claims in respect of the Securities*), Condition 4(e) (*Form, Denomination, Status and Guarantee — Set-off — Securities*) and clause 6 (*Subordination of the Securities*) of the Trust Deed shall be governed by, and construed in accordance with, the laws of the British Virgin Islands and (ii) the Guarantor set out in Condition 4(b) (*Form, Denomination, Status and Guarantee; Status of the Guarantee of the Securities*), Condition 4(d) (*Form, Denomination, Status and Guarantee — Ranking of claims in respect of the Guarantee of the Securities*), Condition 4(f) (*Form, Denomination, Status and Guarantee — Set-off — Guarantee of the Securities*) and clauses 5.2.2 (*Status and Ranking of claims in respect of the Guarantee of the Securities*) and 5.2.3 (*Set off in relation to the Guarantee of the Securities*) of the Trust Deed shall be governed by, and construed in accordance with, Hong Kong law.
- (b) *Jurisdiction*: Each of the Issuer and the Guarantor (i) agrees that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Securities; (ii) agrees that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) irrevocably appoints Sinochem Europe Holding PLC at its registered office (currently at 17/F, New Zealand House, 80 Haymarket, London, SW1Y 4TE, United Kingdom) as its authorised agent to accept service of any process on its behalf; (iv) consents to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agrees not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also



states that nothing contained in the Trust Deed prevents the Trustee or any of the Securityholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Securityholders may take concurrent Proceedings in any number of jurisdictions.

- (c) *Waiver of immunity:* Each of the Issuer and the Guarantor hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents 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) of any order or judgment made or given in connection with any Proceedings.

## FORM OF PRICING SUPPLEMENT IN RELATION TO THE NOTES

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

**Pricing Supplement dated [●]**

**Sinochem Offshore Capital Company Limited (the “Issuer”)**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the U.S.\$10,000,000,000 Medium Term Note and Perpetual Securities Programme**

**unconditionally and irrevocably guaranteed by the Guarantor**

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

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

**[MiFID II product governance/Professional investors and ECPs only target market]** — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; or (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [The target market assessment indicates that Notes are incompatible with the needs, characteristic and objectives of clients which are [fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested]]. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**Singapore Securities and Futures Act Product Classification** — Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore) (as modified or amended from time to time, the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are [“prescribed capital markets product”]/[“capital markets products other than prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

*[(Include when the Notes are to be listed on the Hong Kong Stock Exchange)* This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, “**Professional Investors**”) only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

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

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

**Notice to Hong Kong investors:** The Issuer confirms that the Notes are intended for purchase by professional investors only (as defined in the Securities and Futures Ordinance (Cap 571) and Rules made thereunder) and have been listed on The Hong Kong Stock Exchange Limited on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “**Note Conditions**”) referred to in the trust deed dated 18 September 2020 between, *inter alia*, the Issuer, the Guarantor and Citicorp International Limited as trustee (the “**Trust Deed**”) and set forth in the offering circular dated 18 September 2020 (the “**Offering Circular**”) [and the supplemental Offering Circular dated [date]]. This document contains the final terms of the Notes described herein and must be read in conjunction with the Offering Circular [and the supplemental Offering Circular dated [date]].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date and the relevant terms and conditions from that Offering Circular with an earlier date were incorporated by reference in the current Offering Circular.*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “**Note Conditions**”) referred to in the trust deed dated 18 September 2020 between, *inter alia*, the Issuer, the Guarantor and Citicorp International Limited as trustee (the “**Trust Deed**”) and set forth in the offering circular dated [original date] incorporated by reference in the offering circular dated [current date] (the “**Offering Circular**”) [and the supplemental Offering Circular [date]]. This Pricing Supplement contains the final terms of the Notes described herein and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [date], save in respect of the Note Conditions which are set forth in the offering circular dated [original date] and are incorporated by reference in the Offering Circular.]

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered, sold or delivered within the United States [or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”))] except in certain transactions exempt from the registration requirements of the Securities Act.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]*

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

1. (i) Issuer: Sinochem Offshore Capital Company Limited
- (ii) Guarantor: Sinochem Hong Kong (Group) Company Limited
2. [(i) Series Number:] [●]
- [(ii) Tranche Number:] [●]
- [(iii) Date on which the Notes become fungible:] [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below [which is expected to occur on or about [●]].]
3. Specified Currency or Currencies: [●]
- (If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency)*
4. Aggregate Nominal Amount: [●]
- [(i)] [Series:] [●]
- [(ii) Tranche:] [●]
5. (i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (ii) Net Proceeds: [●] [(Required only for listed issues)]

6. (i) Specified Denominations:<sup>1, 2, 3</sup> [●]
- (ii) Calculation Amount: [●]
7. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]<sup>4</sup>
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.]
9. Interest Basis: [[●] per cent. Fixed Rate]
- [[Specify reference rate] +/- [●] per cent. Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Other (Specify)]
- (further particulars specified below)

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

2 If the specified denomination is expressed to be EUR100,000 or its equivalent and multiples of a lower principal amount (for example EUR1,000), insert the additional wording as follows: EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]. No Notes in definitive form will be issued with a denomination above [EUR199,000]. In relation to any issue of the Notes which are a "Global Note exchangeable for Definitive Notes" in circumstances other than "in the limited circumstances specified in the Global Notes", such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.

3 Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

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

10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (*Specify*)]
11. Change of Interest or Redemption/  
Payment Basis: [*Specify details of any provision for convertibility of  
the Notes into another interest or redemption/  
payment basis/Not Applicable*]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Relevant Event Put]  
(further particulars specified below)
13. [Date of [Board] approval for  
issuance of Notes] obtained: [●]  
  
(*N.B. Only relevant where Board (or similar)  
authorisation is required for the particular tranche  
of Notes*)
14. Listing: [The Hong Kong Stock Exchange/Other (*specify*)/  
None]  
  
(*For Notes to be listed, insert the expected effective  
listing date of the Notes*)
15. Method of distribution: [Syndicated/Non-syndicated]

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

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
  
(*If not applicable, delete the remaining sub-  
paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-  
annually/quarterly/monthly/other (*specify*)] in arrear]



- (ii) Interest Payment Date(s): ☐ in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*<sup>5</sup>/not adjusted]<sup>5</sup>
- (iii) Fixed Coupon Amount[(s)]: ☐ per Calculation Amount<sup>6</sup>
- (iv) Broken Amount(s): ☐ per Calculation Amount, payable on the Interest Payment Date falling [in/on] ☐
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/Actual/365 (Fixed)/other]
- (vi) Determination Dates: ☐ in each year (insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
17. **Floating Rate Note Provisions** ☐ [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): ☐
- (ii) Specified Period: ☐
- (iii) Specified Interest Payment Dates: ☐
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (iv) First Interest Payment Date: ☐

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<sup>5</sup> Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to adjustment in accordance with the Modified Following Business Day Convention.

<sup>6</sup> For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi-denominated Fixed Rate Notes and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards".

- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vi) Additional Business Centre(s): [Not Applicable/*give details*]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[*Name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
- (ix) Screen Rate Determination:
- Reference Rate [For example, LIBOR, EURIBOR, HIBOR or CNH HIBOR]
  - Interest Determination Date(s): [●]  
  
(*Second London business day prior to the start of each Interest Period if LIBOR (other than sterling, Hong Kong dollar or euro LIBOR), second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR, first day of each Interest Period if sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
  - Relevant Screen Page: [For example, Reuters LIBOR 01/EURIBOR 01]
  - Relevant Time: [For example, 11.00 a.m. London time/Brussels time/Hong Kong time]
  - Relevant Financial Centre: [For example, London/Euro-zone (*where Euro-zone means the region comprised of the countries whose lawful currency is the euro/Hong Kong*)]
- (x) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]

- (xi) Linear interpolation: [Not Applicable/Applicable — the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xii) Margin(s): [ +/- ][●] per cent. per annum
- (xiii) Minimum Rate of Interest: [●] per cent. per annum
- (xiv) Maximum Rate of Interest: [●] per cent. per annum
- (xv) Day Count Fraction: [●]
- (xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Note Conditions: [●]
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [●] per cent. per annum
- (ii) Reference Price: [●]
- (iii) Day Count Fraction in relation to Early Redemption Amount: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (iv) Any other formula/basis of determining amount payable: [●]
19. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [●]

- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Interest Determination Date(s): [●]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Interest or calculation period(s): [●]
- (vii) Specified Period: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (viii) Specified Interest Payment Dates: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (x) Additional Business Centre(s): [●]
- (xi) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [●]

20. **Dual Currency Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
  - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [●]
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
  - (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

#### PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) If redeemable in part:
    - Minimum Redemption Amount: [●] per Calculation Amount
    - Maximum Redemption Amount: [●] per Calculation Amount
  - (iv) Notice period: [●]
22. **Put Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
23. **Final Redemption Amount of each Note** [●] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [*give or annex details*]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) [Payment Date]: [●]
- (vii) Minimum Final Redemption Amount: [●] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [●] per Calculation Amount



24. **Early Redemption Amount** [Not Applicable]

- (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for tax reasons, on a relevant event or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Note Conditions): [[●] per Calculation Amount/as set out in the Note Conditions (*Specify the Early Redemption Amount (Relevant Event) if different from the amount specified in the Notes and/or the Early Redemption Amount (Tax) if different from the principal amount of the Notes*)]
- (ii) Early Termination Amount per Calculation Amount payable on mandatory redemption on event of default and/or the method of calculating the same (if required or if different from that set out in the Note Conditions): [[●] per Calculation Amount/as set out in the Note Conditions (*Specify the Early Termination Amount if different from the principal amount of the Notes or specify its method of calculation*)]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. **Form of the Notes:**

**Bearer Notes:**<sup>7</sup>

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the Permanent Global Note]<sup>8</sup>

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]<sup>9</sup>

[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the Permanent Global Note]<sup>10</sup>

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<sup>7</sup> Bearer Notes issued in compliance with the TEFRA D Rules must initially be represented by a Temporary Global Note.

<sup>8</sup> If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days notice.

<sup>9</sup> If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days notice.

<sup>10</sup> If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Permanent Global Note shall not be exchangeable on [●] days notice.

## Registered Notes:

[Unrestricted Global Note Certificate exchangeable for unrestricted Individual Note Certificates on [●] days' notice/in the limited circumstances specified in the Unrestricted Global Note Certificate]<sup>11</sup>

[Restricted Global Note Certificate exchangeable for Restricted Individual Note Certificates on [●] days' notice/in the limited circumstances specified in the Restricted Global Note Certificate]<sup>12</sup>

- |     |   |  |
|-----|---|--|
| 26. | Additional Financial Centre(s) or other special provisions relating to payment dates:   | [Not Applicable/ <i>give details</i> ]<br><br><i>(Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 17(vi) and 19(x) relate)</i> |
| 27. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):   | [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]  |
| 28. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: | [Not Applicable/ <i>give details</i> ]   |
| 29. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:  | [Not Applicable/ <i>give details</i> ]   |
| 30. | Redenomination, renominatisation and reconventioning provisions:  | [Not Applicable/The provisions annexed to this Pricing Supplement apply]   |
| 31. | Consolidation provisions:   | [The provisions in Note Condition 19 ( <i>Further Issues</i> ) [annexed to this Pricing Supplement] apply]   |

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11 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: “EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]”, the Unrestricted Global Note Certificate shall not be exchangeable on [●] days notice.

12 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: “EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]”, the Restricted Global Note Certificate shall not be exchangeable on [●] days notice.

32. Any applicable currency disruption/ fallback provisions: [Not Applicable/*give details*]
33. Other terms or special conditions: [Not Applicable/*give details*]

## DISTRIBUTION

34. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
35. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
36. Total commission and concession: [●] per cent. of the Aggregate Nominal Amount
37. U.S. Selling Restrictions: [Rule 144A]/[Regulation S Category 2]
- (In the case of Bearer Notes) — [TEFRA C RULES/TEFRA D RULES/TEFRA not applicable]<sup>13</sup>*
- (In the case of Registered Notes) — [TEFRA not applicable.]*
38. Additional selling restrictions: [Not Applicable/*give details*]

## OPERATIONAL INFORMATION

39. CUSIP: [●] [Not Applicable]
- [Select “Not Applicable” if no Restricted Registered Notes will be issued]*
40. ISIN: [●]
41. Common Code: [●]
42. CMU Instrument Number: [●]
43. Any clearing system(s) other than DTC/Euroclear/Clearstream and the CMU Service and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
44. Delivery: Delivery [against/free of] payment

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<sup>13</sup> TEFRA not applicable may only be used for Registered Notes, or Bearer Notes with a maturity of 365 days or less (taking into account any unilateral rights to extend or rollover). Bearer Notes with a maturity of more than 365 days (taking into account unilateral rights to extend or rollover) that are held through the CMU Service must be issued in compliance with the C Rules, unless at the time of issuance the CMU Service and the CMU Lodging and Paying Agent have procedures in place so as to enable compliance with the certification requirements under the D Rules.

45. Additional Paying Agent(s) (if any): [●]

## GENERAL

46. Private Bank Rebate/Commission: [Applicable/Not Applicable]

*[(to be included if a PB rebate is applicable)]* In addition, the Issuer has agreed with the Managers that it will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes, and may be deducted from the purchase price of the Notes payable by such private banks upon settlement.]

47. The aggregate principal amount of the Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars): [Not Applicable/U.S.\$[●]]

48. [Ratings: The Notes to be issued have been rated:

[Standard & Poor's: [●]]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

(each a “**Rating Agency**”)

If any Rating Agency shall not make a rating of the Notes publicly available, the Issuer shall select and substitute them with [●] or [●] and its successors.]

## [USE OF PROCEEDS]

*Give details if different from the “Use of Proceeds” section in the Offering Circular.]*

## STABILISATION

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

## PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on The Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.\$10,000,000,000 Medium Term Note and Perpetual Securities Programme of the Issuer and the Guarantor.

## RESPONSIBILITY

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of  
**Sinochem Offshore Capital Company Limited**

By: .....  
Duly authorised

Signed on behalf of  
**Sinochem Hong Kong (Group) Company Limited**

By: .....  
Duly authorised

## FORM OF PRICING SUPPLEMENT IN RELATION TO THE SECURITIES

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

**Pricing Supplement dated [●]**

**Sinochem Offshore Capital Company Limited (the “Issuer”)**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Securities]**

**under the U.S.\$10,000,000,000 Medium Term Note and Perpetual Securities Programme**

**unconditionally and irrevocably guaranteed by the Guarantor**

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

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

**[MiFID II product governance/Professional investors and ECPs only target market** — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; or (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. [The target market assessment indicates that Securities are incompatible with the needs, characteristic and objectives of clients which are [fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested]]. Any person subsequently offering, selling or recommending the Securities (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**Singapore Securities and Futures Act Product Classification** — Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore)(as modified or amended from time to time, the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Securities are [“prescribed capital markets products “]/[“capital markets products other than prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).



*[(Include when the Securities are to be listed on the Hong Kong Stock Exchange)* This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, “**Professional Investors**”) only. **Investors should not purchase the Securities in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Securities are only suitable for Professional Investors.**

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

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

**Notice to Hong Kong investors:** The Issuer confirms that the Securities are intended for purchase by professional investors only (as defined in the Securities and Futures Ordinance (Cap 571) and Rules made thereunder) and have been listed on The Hong Kong Stock Exchange Limited on that basis. Accordingly, the Issuer confirms that the Securities are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Securities (the “**Security Conditions**”) referred to in the trust deed dated 18 September 2020 between, *inter alia*, the Issuer, the Guarantor and Citicorp International Limited as trustee (the “**Trust Deed**”) and set forth in the offering circular dated 18 September 2020 (the “**Offering Circular**”) [and the supplemental Offering Circular dated [date]]. This document contains the final terms of the Securities described herein and must be read in conjunction with the Offering Circular [and the supplemental Offering Circular dated [date]].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date and the relevant terms and conditions from that Offering Circular with an earlier date were incorporated by reference in the current Offering Circular.*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Securities (the “**Security Conditions**”) referred to in the trust deed dated 18 September 2020 between, *inter alia*, the Issuer, the Guarantor and Citicorp International Limited as trustee (the “**Trust Deed**”) and set forth in the offering circular dated [original date] incorporated by reference in the offering circular dated [current date] (the “**Offering Circular**”) [and the supplemental Offering Circular [date]]. This Pricing Supplement contains the final terms of the Securities described herein and must be read in conjunction with the Offering Circular dated [current date] [and the

supplemental Offering Circular dated [date], save in respect of the Security Conditions which are set forth in the offering circular dated [original date] and are incorporated by reference in the Offering Circular.]

The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Securities may not be offered, sold or delivered within the United States [or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”))] except in certain transactions exempt from the registration requirements of the Securities Act.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]*

1. (i) Issuer: Sinochem Offshore Capital Company Limited
- (ii) Guarantor: Sinochem Hong Kong (Group) Company Limited
2. (i) Series Number: [●]
- (ii) Tranche Number: [●]
- [(iii) Date on which the Securities become fungible: [Not Applicable/The Securities shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date [which is expected to occur on or about [●]].]
3. Specified Currency or Currencies: [U.S. dollars/Renminbi/Singapore dollars/Other (Specify)]
- (If Securities are being cleared through DTC with distribution and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency)*
4. Aggregate Nominal Amount:
  - [(i) Series:] [●]
  - [(ii) Tranche:] [●]
5. [(i)] Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued distribution from [●] (if applicable)]
- [(ii) Net Proceeds: [●] (Required only for listed issues)]

6. (i) Specified Denominations<sup>1 2</sup>: [●]
- (ii) Calculation Amount<sup>3</sup>: [●]
7. (i) Issue Date: [●]
- (ii) Distribution Commencement Date: [*Specify*/Issue Date/Not Applicable]
8. Distribution Basis: [[●] per cent. Fixed Rate]
- [Other (*Specify*)]
- (further particulars specified below)
9. Put/Call Options: [Call Option]
- [Redemption for Accounting Reasons]
- [Redemption for Change of Control]
- [Redemption for Breach of Covenant Event]
- [Redemption for Relevant Indebtedness Default Event]
- [Other (*Specify*)]
- [(further particulars specified below)]
10. Date of [Board] approval for issuance of Securities] obtained: [●]
- (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Securities*)
11. Listing: [The Hong Kong Stock Exchange/Other (*specify*)/None]
- (*For Securities to be listed, insert the expected effective listing date of the Securities*)

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1 If the specified denomination is expressed to be €100,000 or their equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows:

“€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No securities in definitive form will be issued with a denomination above €199,000”.

2 Securities listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

3 The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Securities or (ii) if there are several Specified Denomination, the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).

12. Method of distribution: [Syndicated/Non-syndicated]

## PROVISIONS RELATING TO DISTRIBUTION PAYABLE

### 13. Rate of Distribution:

- (i) Initial Distribution Rate: [●] per cent. per annum payable [semi-annually] in arrear
- (ii) Distribution Payment Date(s): [●] and [●] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*]/[not adjusted]
- (iii) Reset Date: [[●]/Not Applicable]
- (iv) First Call Date: [[●]/Not Applicable]
- (v) Relevant Reset Distribution Rate: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Initial Spread: [●]
  - Benchmark Rate: [US Treasury Benchmark Rate/CNY Benchmark Rate/SGD Benchmark Rate]  
*(delete as appropriate according to the Specified Currency, relevant definitions to be provided)*
  - Comparable Period: [●]
  - Step-up Rate: [As specified in the Conditions/other *(give details)*]
  - Other terms relating to the method of determining the Benchmark Rate: [None/*Give details*]<sup>4</sup>
- (vi) Day Count Fraction: [30/360/Actual/365 (Fixed)/other *(give details)*]
- (vii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Floating Rate Convention/No Adjustment/other *(give details)*]

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<sup>4</sup> Where CNY Benchmark Rate or SGD Benchmark Rate is selected, consider specifying how these will be calculated in the Pricing Supplement.

- (viii) Specified Period: [●]
- (A Specified Period will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)*
- (ix) Party responsible for calculating the Distribution Rate(s) and/or Distribution amount(s) (if not the Principal Paying Agent): [[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]
- 14. Distribution Deferral:**
- (i) Dividend Pusher: [Applicable/Not Applicable/give details]
- (ii) Compulsory Distribution Payment Event: [Applicable/Not Applicable/give details]
- (iii) Dividend Stopper: [Applicable/Not Applicable/give details]
- (iv) Parity Obligations: [As set out in the Conditions/[●]]
- (v) Junior Obligations: [As set out in the Conditions/[●]]
- 15. Increase in Distribution Rate upon Step-Up Event:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Increase in Distribution Rate following the occurrence of a Change of Control: [Applicable/Not Applicable]
- (ii) Increase in Distribution Rate following the occurrence of a Breach of Covenant Event: [Applicable/Not Applicable]
- (iii) Increase in Distribution Rate following the occurrence of a Relevant Indebtedness Default Event: [Applicable/Not Applicable]
- (iv) Step-up Rate: [As set out in paragraph 14(v)/[●] per cent. per annum/other (give details)]
- 16. Other terms relating to the method of calculating Distribution:** [None/Give details]

## PROVISIONS RELATING TO REDEMPTION

17. **Call Option (Issuer):** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [First Call Date and on any Distribution Payment Date after the First Call Date/other *(give details)*]
- (ii) Optional Redemption Amount (Issuer) of each Security: [As defined in the Conditions/[●] per Calculation Amount]
- (iii) Notice period: [As set out in the Conditions/[●]]
- [(iv) If redeemable in part: *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Maximum Redemption Amount: [●] per Calculation Amount
  - Minimum Redemption Amount: [●] per Calculation Amount
18. **Redemption for Tax Reasons:** Applicable
- (i) Early Redemption Amount (Tax) of each Security: [As defined in the Conditions/[●] per Calculation Amount]
- (ii) Notice period: [As set out in the Conditions/[●]]
19. **Accounting Event Redemption:** Applicable
- (i) Early Redemption Amount (Accounting Event) of each Security: [As defined in the Conditions/[●] per Calculation Amount]
- (Applicable before the First Call Date)*
- (ii) Notice period: [As set out in the Conditions/[●]]
20. **Change of Control Event Redemption:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Early Redemption Amount (a Change of Control Event) of each Security: [As defined in the Conditions/[●] per Calculation Amount]
- (Specify the Change of Control Triggering Event and the applicable redemption amount)*

- (ii) Notice period: [As set out in the Conditions/[●]]
21. **Breach of Covenant Event Redemption:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Early Redemption Amount (Breach of Covenant Event) of each Security: [As defined in the Conditions/[●] per Calculation Amount]
- (ii) Notice period: [As set out in the Conditions/[●]]
22. **Relevant Indebtedness Default Event Redemption:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Early Redemption Amount (Relevant Indebtedness Default Event) of each Security: [As defined in the Conditions/[●] per Calculation Amount]
- (ii) Notice period: [As set out in the Conditions/[●]]
23. **Redemption for Minimum Outstanding Amount:** Applicable
- (i) Optional Redemption Amount (Minimum Outstanding Amount): [As defined in the Conditions/[●] per Calculation Amount]
- (ii) Notice period: [As set out in the Conditions/[●]]

#### GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

24. Special Event Substitution or Variation: [Applicable; as set out in the conditions/*give details*]/[Not Applicable]
25. **Form of the Securities:** **Registered Securities only**
- [Global Security Certificate exchangeable for Individual Security Certificates on [●] days' notice/ at any time/in the limited circumstances specified in the Global Security Certificate]<sup>5</sup>

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<sup>5</sup> If the Specified Denominations of the Securities in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Global Security Certificate shall not be exchangeable on [●] days' notice.



26. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/*give details*]  
*(Note that this paragraph relates to the date and place of payment, and not the distribution payment period end dates, to which sub-paragraph 13(ii) relates)*
27. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
28. Consolidation provisions: [The provisions in Condition 16 (*Further Issues*) annexed to this Pricing Supplement] apply]
29. Any applicable currency disruption/fallback provisions: [Not Applicable/*give details*]
30. Other terms or special conditions: [Not Applicable/*give details*]

## **DISTRIBUTION**

31. Method of Distribution: [Syndicated/Non-syndicated]
- (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager(s), if any: [Not Applicable/*give names*]
32. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
33. Total commission and concession: [●] per cent. of the Aggregate Nominal Amount
34. U.S. Selling Restrictions: [Rule 144A]/[Regulation S Category 2]  
TEFRA not applicable
35. Additional selling restrictions: [Not Applicable/*give details*]

## **OPERATIONAL INFORMATION**

36. CUSIP: [●] [Not Applicable]  
*[Select “Not Applicable” if no Restricted Registered Securities will be issued]*
37. ISIN: [●]
38. Common Code: [●]
39. CMU Instrument Number: [●]

40. Any clearing system(s) other than DTC/Euroclear/Clearstream and the CMU Service and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

41. Delivery: Delivery [against/free of] payment

42. Names and addresses of additional Paying Agent(s) (if any): [[●]/Not Applicable]

#### GENERAL

43. Private Bank Rebate/Commission: [Applicable/Not Applicable]

*[(to be included if a PB rebate is applicable)]* In addition, the Issuer has agreed with the Managers that it will pay a commission to certain private banks in connection with the distribution of the Securities to their clients. This commission will be based on the principal amount of the Securities, and may be deducted from the purchase price of the Securities payable by such private banks upon settlement.]

44. The aggregate principal amount of Securities issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Securities not denominated in U.S. dollars): [Not Applicable/U.S.\$[●]]

45. Ratings: [Not Applicable]/[The Securities to be issued [have been/are expected to be] rated:

[Standard & Poor's: [●]]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

(each, a “**Rating Agency**”)

If any Rating Agency shall not make a rating of the Securities publicly available, the Issuer shall select and substitute them with [●] or [●] and its successors.]

## [USE OF PROCEEDS

*Give details if different from the “Use of Proceeds” section in the Offering Circular.]*

## STABILISATION

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

## PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on The Hong Kong Stock Exchange of the Securities described herein pursuant to the U.S.\$10,000,000,000 Medium Term Note and Perpetual Securities Programme of the Issuer and the Guarantor.

## RESPONSIBILITY

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of  
**Sinochem Offshore Capital Company Limited**

By: .....  
Duly authorised

Signed on behalf of  
**Sinochem Hong Kong (Group) Company Limited**

By: .....  
Duly authorised

## FORM OF THE INSTRUMENTS

### BEARER NOTES

Each Tranche of the Notes to be issued in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”) or a permanent global note in bearer form (the “**Permanent Global Note**”), each without interest coupons. Each Temporary Global Note or, as the case may be, Permanent Global Note (each, a “**Global Note**”) will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear as operator of the Euroclear System and/or Clearstream and/or any other relevant clearing system and/or a sub-custodian for the CMU Service and/or any other relevant clearing system. In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

#### *Temporary Global Note exchangeable for Permanent Global Note*

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, from the date (the “**Exchange Date**”) which is 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note after the Exchange Date unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of Temporary Global Notes cannot be collected without such certification of non-U.S. beneficial ownership, as described above.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent; and
- (ii) receipt by the Principal Paying Agent or the CMU Lodging and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

In the case of the CMU Service, no such exchange will be effected until all relevant accountholders (as set out in a CMU Instrument Position Report) (as defined in the rules of the CMU Service) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service have provided certification of non-U.S. beneficial ownership.

#### *Temporary Global Note exchangeable for Definitive Notes*

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in

the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form (“**Definitive Notes**”) not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes on or after the Exchange Date for the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note and in the case where the TEFRA D Rules are applicable, certification as to non-U.S. beneficial ownership, as described above, to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### ***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) if the Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
  - (a) Euroclear or Clearstream, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (b) any of the circumstances described in Note Condition 14 (*Events of Default*) occurs in respect of any Note of the relevant Tranche.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and

conditions. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

***Legend concerning United States persons***

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”*

**REGISTERED INSTRUMENTS**

Each Tranche of Instruments in registered form (“**Registered Instruments**”) will be represented by either:

- (i) individual Certificates in registered form (“**Individual Certificates**”); or
- (ii) one or more unrestricted global certificates (“**Unrestricted Global Certificate(s)**”) in the case of Registered Instruments sold outside the United States to non-U.S. persons in reliance on Regulation S (“**Unrestricted Registered Instruments**”) and/or one or more restricted global certificates (“**Restricted Global Certificate(s)**”) in the case of Registered Instruments sold to QIBs in reliance on Rule 144A (“**Restricted Registered Instruments**”),

in each case as specified in the relevant Pricing Supplement, and references in this Offering Circular to “**Global Certificates**” shall be construed as a reference to Unrestricted Global Certificates and/or Restricted Global Certificates.

Each Instrument represented by an Unrestricted Global Certificate will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream and/or, in respect of CMU Notes, a sub-custodian for the CMU Service and/or in the case of a Series intended to be cleared through DTC, in the name of Cede & Co. or such entity as is specified in the applicable Pricing Supplement as nominee for DTC, and/or any other relevant clearing system, and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common depositary for Euroclear and/or Clearstream and/or, in respect of CMU Instruments, a sub-custodian for the CMU Service, and/or in the case of a Series intended to be cleared through DTC, a nominee for DTC, and/or any other relevant clearing system.

Each Instrument represented by a Restricted Global Certificate will be registered in the name of Cede & Co. or such entity as is specified in the applicable Pricing Supplement as nominee for DTC and the relevant Restricted Global Certificate will be deposited on or about the issue date with the custodian for DTC (the “**DTC Custodian**”). Beneficial interests in Instruments represented by a Restricted Global Certificate may only be held through DTC at any time.

If the relevant Pricing Supplement specifies the form of Instruments as being “Individual Certificates”, then the Instruments will at all times be represented by Individual Certificates issued to each Noteholder or Securityholder (as the case may be) in respect of their respective holdings.

### *Global Certificate exchangeable for Individual Certificates*

If the relevant Pricing Supplement specifies the form of Instruments as being “Global Certificate exchangeable for Individual Certificates”, then the Instruments will initially be represented by one or more Global Certificates each of which will be exchangeable in whole, but not in part, for Individual Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Global Certificate”, then:
  - (a) in the case of any Global Certificate held by or on behalf of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Certificate or DTC ceases to be a “clearing agency” registered under the Exchange Act or if at any time DTC is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;
  - (b) in the case of any Unrestricted Global Certificate, if Euroclear, Clearstream or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
  - (c) in any case, if any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever a Global Certificate is to be exchanged for Individual Certificates, each person having an interest in a Global Certificate must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Certificates (including the name and address of each person in which the Instruments represented by the Individual Certificates are to be registered and the principal amount of each such person’s holding). In addition, whenever a Restricted Global Certificate is to be exchanged for Individual Certificates, each person having an interest in the Restricted Global Certificate must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Instruments and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Certificates issued in exchange for interests in the Restricted Global Certificate will bear the legends and be subject to the transfer restrictions set out under “*Transfer Restrictions*”.

Whenever a Global Certificate is to be exchanged for Individual Certificates, the Issuer shall procure that Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate to the Registrar of such information as is required to complete and deliver such Individual Certificates against the surrender of the Global Certificate at the specified office of the Registrar.



Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

### ***Terms and Conditions applicable to the Instruments***

The terms and conditions applicable to any Individual Certificate will be endorsed on that Individual Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” (in respect of the Notes) or “*Terms and Conditions of the Securities*” (in respect of the Securities) below and the provisions of the relevant Pricing Supplement which amend, supplement and/or replace those terms and conditions.

The terms and conditions applicable to any Global Certificate will differ from those terms and conditions which would apply to the Instrument were it in definitive form to the extent described under “*Summary of Provisions Relating to the Instruments while in Global Form*” below.

### **Summary of Provisions relating to the Instruments while in Global Form**

#### ***Clearing System Accountholders***

In relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, and/or a sub-custodian for the CMU Service, will be that depositary, common depositary or sub-custodian, as the case may be.

In relation to any Tranche of Instruments represented by one or more Global Certificates, references in the Terms and Conditions of the Notes to “Noteholder” or in the Terms and Conditions of the Securities to “Securityholder” are references to the person in whose name the relevant Global Certificate is for the time being registered in the Register which (a) in the case of a Restricted Global Certificate held by or on behalf of DTC, will be such entity as is specified in the applicable Pricing Supplement as nominee for DTC; (b) in the case of any Unrestricted Global Certificate which is lodged with a sub-custodian for the CMU Service, will be the Hong Kong Monetary Authority (in its capacity as the operator of the CMU Service); and in the case of any Unrestricted Global Certificate which is held by or on behalf of a depositary or common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, will be that depositary or common depositary.

Each of the persons shown in the records of DTC, Euroclear, Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an “**Accountholder**”) must look solely to DTC, Euroclear, Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer or the Guarantor to the holder of such Global Note or Global Certificate and in relation to all other rights arising under such Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Instruments are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Instruments and such obligations of the Issuer and the Guarantor will be discharged by payment to the holder of such Global Note or Global Certificate.

Payment in U.S. dollars of principal and interest in respect of a Global Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Instrument. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holder of interests in the Global Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable DTC participants' account.

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

For so long as any of the Instruments that are cleared through Euroclear or Clearstream are represented by a Global Note or a Global Certificate, each payment in respect of the Global Note or Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January. For so long as any of the Instruments that are cleared through the CMU Service are represented by a Global Note or a Global Certificate, payments of interest or principal will be made to the persons for whose account a relevant interest in that Global Note or, as the case may be, that Global Certificate is credited as being held by the operator of the CMU Service at the relevant time, as notified to the CMU Lodging and Paying Agent by the operator of the CMU Service in a relevant CMU Instrument Position Report (as defined in the rules of CMU) or in any other relevant notification by the operator of the CMU Service. Such payment will discharge the Issuer's obligations in respect of that payment. Any payments by CMU participants to indirect participants will be governed by arrangements agreed between CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

### ***Transfers of Interests in Global Notes and Global Certificates***

Transfers of interests in Global Notes and Global Certificates within DTC, Euroclear and Clearstream, the CMU Service or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Guarantor, the Trustee, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of DTC, Euroclear and Clearstream, the CMU Service or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, the CMU Service or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Instruments. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Instruments described under “*Transfer Restrictions*”, transfers between DTC participants, on the one hand, and Euroclear or Clearstream accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Principal Paying Agent.

On or after the issue date for any Series, transfers of Instruments of such Series between accountholders in Euroclear and/or Clearstream and transfers of Instruments of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, on the other, transfers of interests in the relevant Global Certificates will be effected through the Principal Paying Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream accountholders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Instruments, see “Subscription and Sale” and “*Transfer Restrictions*”.

Upon the issue of a Restricted Global Certificate to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective principal amounts of the individual beneficial interests represented by such Global Certificate to the account of DTC participants. Ownership of beneficial interests in such Global Certificate will be held through participants of DTC, including the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in such Global Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuer and the Guarantor that it will take any action permitted to be taken by a holder of Registered Instruments represented by a Global Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Certificate are credited, and only in respect of such portion of the aggregate principal amount of such Global Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Certificate for Individual Note Certificates (which will bear the relevant legends set out in “*Transfer Restrictions*”). Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in

order to facilitate transfers of interests in the Global Certificates among participants and accountholders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantor, the Trustee, the Registrar, the Dealers or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their respective operations.

Beneficial interests in the Global Bond Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU Service. There is currently no direct linkage between the CMU Service and DTC to facilitate transfer of interests in the Global Certificates among participants and accountholders of the CMU Service and DTC. For persons seeking to hold a beneficial interest in the Instruments through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU Service.

While a Global Certificate is lodged with DTC, Euroclear, Clearstream, the CMU Service or any relevant clearing system, Individual Note Certificates for the relevant Series of Instruments will not be eligible for clearing and settlement through such clearing systems.

### ***Conditions applicable to Global Notes and Global Certificates***

Each Global Note and Global Certificate will contain provisions which modify the Terms and Conditions of the Notes or the Terms and Conditions of the Securities, as applicable, as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Certificate which, according to the Terms and Conditions of the Notes or the Terms and Conditions of the Securities, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Instruments. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

*Payment Business Day:* In the case of a Global Note, or a Global Certificate, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Payment Record Date:* Each payment in respect of a Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business.

*Exercise of put option:* In order to exercise the option contained in Note Condition 9(c) (*Redemption and Purchase — Redemption for Change of Control*) or Note Condition 9(f) (*Redemption and Purchase — Redemption at the option of Noteholders*), the bearer of the Temporary Global Note or Permanent Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and the Put Option Notice, give written notice of such

exercise to the Principal Paying Agent or (as the case may be) the CMU Lodging and Paying Agent specifying the principal amount of Notes in respect of which the relevant put option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Note Condition 9(d) (*Redemption at the option of the Issuer*) of the Terms and Conditions of the Notes or, as the case may be, Security Condition 7(c) (*Redemption at the option of the Issuer*) of the Terms and Conditions of the Securities, in relation to some only of the Instruments, the Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Instruments to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream or the CMU Service (as the case may be) (to be reflected in the records of DTC, Euroclear and/or Clearstream or the CMU Service (as the case may be) as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Note Condition 20 (*Notices*) or Security Condition 17 (*Notices*), while all the Instruments are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Certificate is, (i) registered in the name of DTC's nominee deposited with a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system (other than the CMU Service, in respect of which see (ii) below), notices to Noteholders or the Securityholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders and the Securityholders in accordance with Note Condition 20 (*Notices*) or Security Condition 17 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream and/or any other relevant clearing system; or (ii) deposited with the CMU Service, notices to the holders of Instruments of the relevant Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate and such notices shall be deemed to have been given to the Noteholders or the Securityholders in accordance with Note Condition 20 (*Notices*) or Security Condition 17 (*Notices*) on the date of delivery to such persons shown in the CMU Instrument Position Report.

## EXCHANGE RATE INFORMATION

### China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange (the "SAFE") and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies determined by the PBOC. On the same day, the value of Renminbi appreciated by 2.0% against the U.S. dollar. On 18 May 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar would be expanded from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On 19 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012 the band was further expanded to 1.0%. Effective on 17 March 2014, the band was further expanded to 2.0%. On 11 August 2015, the PBOC announced the adjustment of the quotation mechanism for the Renminbi to U.S. dollars central parity rate, setting off a new round of exchange rate reform under which the Renminbi central parity rates become more "market-oriented". Under the new mechanism, banks were asked to submit quotes that took the closing rate of the previous day into account, in conjunction with market demand and supply and exchange rate movements of major currencies. This decision was accompanied by a 1.9% depreciation of the Renminbi relative to the U.S. dollar. In December 2015, the Renminbi exchange rate fixing mechanism became more transparent as the PBOC officially published for the first time the composition of the reference currency basket. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for trading against the Renminbi on the following business day. In 2016, the Renminbi experienced further fluctuations in value against the U.S. dollar. Following the gradual appreciation of the Renminbi in 2017, the Renminbi experienced a depreciation in value against the U.S. dollar following a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.



The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Exchange Rate			
	Period End	Average <sup>(1)</sup>	High	Low
		(RMB per US\$1.00)		
2015 . . . . .	6.4778	6.2869	6.4896	6.1870
2016 . . . . .	6.9430	6.6400	6.4480	6.9580
2017 . . . . .	6.5063	6.7350	6.9575	6.5063
2018 . . . . .	6.8755	6.6292	6.9737	6.2726
2019 . . . . .	6.9618	7.0137	7.0609	6.9618
2020				
January . . . . .	6.9161	6.9184	6.9749	6.8589
February . . . . .	6.9906	6.9967	7.0286	6.9650
March . . . . .	7.0808	7.0205	7.1099	6.9244
April . . . . .	7.0622	7.0708	7.0989	7.0341
May . . . . .	7.1348	7.1016	7.1681	7.0622
June . . . . .	7.0651	7.0816	7.1263	7.0575
July . . . . .	6.9744	7.0041	7.0703	6.9744
August . . . . .	6.8474	6.9301	6.9799	6.8474
September (through 4 September 2020) .	6.8409	6.8383	6.8474	6.8272

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rates of the relevant periods in 2020, which are determined by averaging the daily rates during the periods indicated.

## Hong Kong

The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The HK dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the HK dollar has been pegged to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The central element in the arrangements that give effect to the peg is that by agreement between the Hong Kong Special Administrative Region government and the three Hong Kong banknote-issuing banks (i.e., The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote-issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars, at the fixed exchange rate of HK\$7.80 to US\$1.00. When banknotes are withdrawn from circulation, the banknote-issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the HK dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. In May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per US\$1.00 to a rate range of HK\$7.75 to HK\$7.85 per US\$1.00. The Hong Kong government has stated its intention to maintain the link at that rate, and, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. The Hong Kong government has also stated that it has no



intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.80 to US\$1.00, or at all.

The following table sets forth, for the periods indicated, certain information concerning the exchange rate between HK dollars and U.S. dollars as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Exchange Rate			
	Period End	Average <sup>(1)</sup>	High	Low
		(HK\$ per US\$1.00)		
2015 . . . . .	7.7507	7.7519	7.7686	7.7495
2016 . . . . .	7.7534	7.7620	7.8270	7.7505
2017 . . . . .	7.8128	7.7950	7.8499	7.7540
2018 . . . . .	7.8305	7.8376	7.8499	7.8210
2019 . . . . .	7.7894	7.8335	7.8499	7.7850
2020				
January . . . . .	7.7665	7.7725	7.7889	7.7661
February . . . . .	7.7927	7.7757	7.7951	7.7630
March . . . . .	7.7513	7.7651	7.7863	7.7511
April . . . . .	7.7514	7.7512	7.7530	7.7498
May . . . . .	7.7513	7.7519	7.7561	7.7500
June . . . . .	7.7501	7.7501	7.7514	7.7498
July . . . . .	7.7500	7.7509	7.7538	7.7499
August . . . . .	7.7501	7.7502	7.7506	7.7498
September (through 4 September 2020) .	7.7504	7.7476	7.7504	7.7499

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rates of the relevant periods in 2020, which are determined by averaging the daily rates during the months indicated.

## **USE OF PROCEEDS**

The net proceeds of any Instruments issued under the Programme shall be used by the Company for the refinancing of existing indebtedness within the scope permitted by relevant governmental authorities.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth as at 30 June 2020, the Company's short-term debt, long-term debt and total equity. For additional information, see the Company's consolidated financial statements and notes thereto included elsewhere in this Offering Circular:

	As at 30 June 2020	
	Actual	
	HK\$	US\$
	(in million)	(unaudited)
<b>Indebtedness<sup>(1)</sup></b>		
Interest-bearing borrowings — due within one year <sup>(1)(2)</sup>	50,436	6,508
Interest-bearing borrowings — due after one year <sup>(2)</sup>	79,545	10,264
<b>Total indebtedness</b>	<b>129,981</b>	<b>16,772</b>
Equity attributable to owners of the parent	41,962	5,414
Issued capital	24,468	3,157
Reserves	17,494	2,257
Non-controlling interests	87,185	11,250
<b>Total equity</b>	<b>129,147</b>	<b>16,664</b>
<b>Total capitalisation<sup>(3)</sup></b>	<b>259,128</b>	<b>33,435</b>

Notes:

- (1) Indebtedness does not include amounts due to related parties, amounts due to non-controlling interests, lease liabilities and other liabilities.
- (2) For more information regarding the Company's secured and unsecured debt, see note 15 to the Company's unaudited and reviewed interim consolidated financial statements included elsewhere in this Offering Circular.
- (3) Total capitalisation equals total indebtedness plus total equity.

On 3 July 2020, China Jinmao entered into a placing agreement pursuant to which China Jinmao completed a placing of 602,340,000 new shares at the placing price of HK\$5.70 per share on 13 July 2020. The net proceeds from such placing amounted to approximately HK\$3,416 million.

On 3 July 2020, China Jinmao entered into a subscription agreement with the Company, pursuant to which the Company subscribed for and China Jinmao allotted and issued 349,450,000 shares at the subscription price of HK\$5.70 per share on 31 August 2020. The net proceeds from such subscription amounted to approximately HK\$1,992 million.

Accordingly, as at 31 August 2020, the Company owned approximately 35.15% of the equity interest of China Jinmao. The Company believes that it will remain as the controlling shareholder of China Jinmao.

On 10 July 2020, China Jinmao completed the issuance of the medium-term notes in principal amount of RMB2,500,000,000. The medium-term notes are unsecured and have a term of three years with a fixed rate of 3.8% per annum.

Save as disclosed above, there has been no material change in the capitalisation and indebtedness of the Company since 30 June 2020.

## HISTORY AND STRUCTURE OF SINOCHEM GROUP AND THE COMPANY

Established in 1950 as the first state-owned import and export enterprise specializing in foreign trade business, today Sinochem Group is a key SOE under the supervision of the SASAC of the State Council. The predecessor of Sinochem Group, China Import Company, began its operations in the chemical business. It merged with North China Trading Company in 1951 to form China Import & Export Company, which was subsequently renamed China National Chemicals Import & Export Corporation (“CNCIEC”) in the 1960s.

In 1973, CNCIEC exported the first shipment of crude oil to Japan, and later to Brazil, Singapore and the United States, which opened an export channel for China’s crude oil to overseas countries.

In the 1980s, CNCIEC began its involvement in real estate development, when it commenced its first joint development project in Shanghai, the Haiyi Villa and Haiyi Garden. In the late 1980s, CNCIEC was approved by the State Council as a pilot company for international operations.

On 19 July 1989, the Company was incorporated.

In 1993, CNCIEC began its fertiliser business as the only enterprise authorised in the PRC to engage in the import and export of fertiliser products at that time.

In 1994, CNCIEC was selected by the State Council as the first company to conduct a comprehensive trading business. Also in 1994, the Company commenced its operations in Hong Kong to serve as an offshore holding company for Sinochem Group to execute its overseas business strategy.

In 1998, CNCIEC, as the primary promoter, set up Sinochem International Corporation to engage in the chemical business. Sinochem International Corporation was listed on the Shanghai Stock Exchange in 2000.

In 1998, after a reform in the fertiliser industry, CNCIEC became one of the two enterprises in the PRC authorised by the government to engage in the import of fertiliser products at that time and was granted the right to engage in domestic trading and sales of fertiliser products in the PRC.

In 2000, CNCIEC became a key SOE under the direct control of the State Council. It obtained its first oil field in 2002 through the Company’s acquisition of Atlantis, a subsidiary of Petroleum Geo-Services. This acquisition was a milestone marking CNCIEC’s expansion into the upstream oil business.

In 2003, CNCIEC was renamed as Sinochem Group. The Company’s primary subsidiaries undertaking fertiliser and real estate businesses, namely Sinofert and China Jinmao, were listed on the Hong Kong Stock Exchange in 2005 and 2007, respectively.

In 2007, Sinochem Group’s restructuring with China National Seed Group Co., Ltd. was approved by the State Council. China National Seed Group Co., Ltd. became a wholly owned subsidiary of Sinochem Group.

In 2008, Sinochem Group acquired Zhejiang Petrochemical and Building Material Group Co. Ltd. and renamed it Sinochem Lantian.

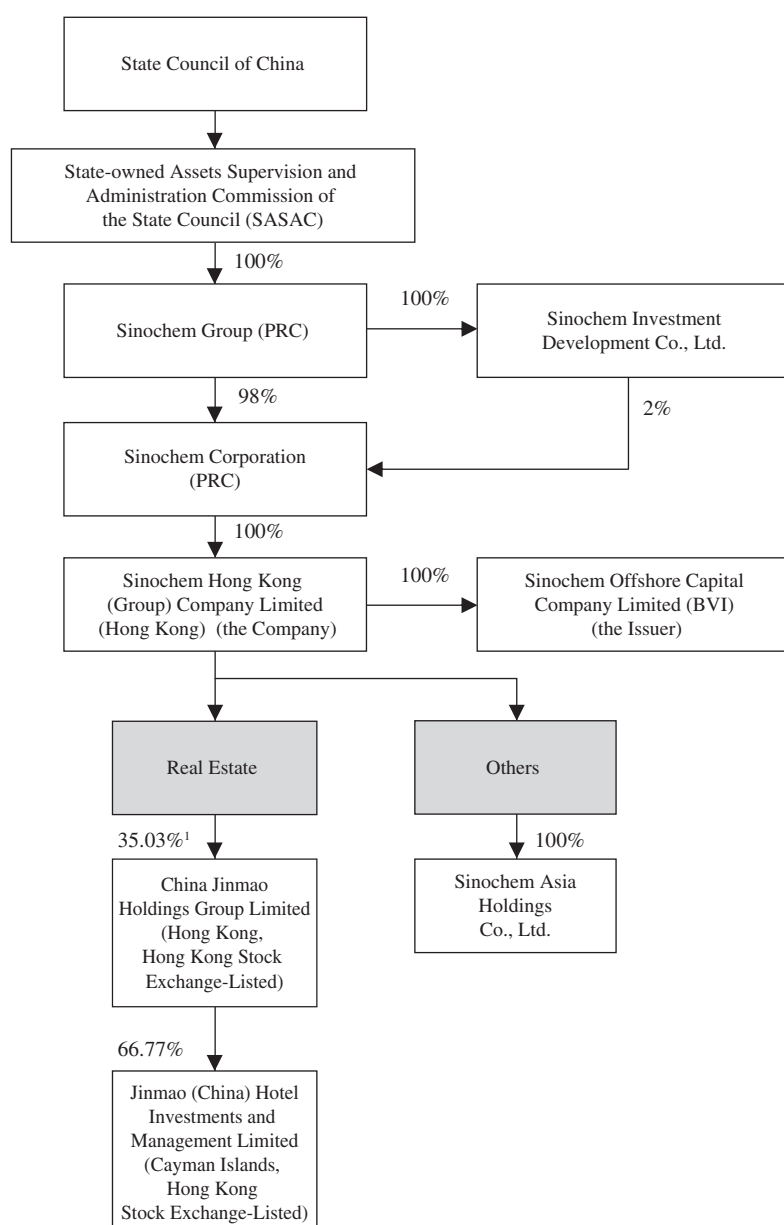
In December 2008, Sinochem Group received formal approval from the State Council and the SASAC for its plan to restructure into a joint stock limited company. In June 2009, Sinochem Corporation was incorporated as a PRC joint stock limited company and its capital stock is 98.0%-owned by Sinochem Group and 2.0%-owned by COSCO, another SOE.

In February 2020, COSCO transferred its 2% interest in Sinochem Corporation to Sinochem Investment Development Co., Ltd., a wholly-owned subsidiary of Sinochem Group. As at the date of this Offering Circular, Sinochem Group beneficially holds 100% of the equity interest in Sinochem Corporation, which in turn holds 100% of the equity interest in the Company.

Sinochem Group is currently one of the largest state-owned conglomerates, with core businesses including chemicals, real estate and financial services. It currently has more than 865 subsidiaries and branches in and outside China.

## Corporate Structure

The following chart sets forth the shareholding and group structure of the Company, and includes only the major subsidiaries of the Company as at 30 June 2020:



Notes:

1. The Company owned approximately 35.15% of the equity interest of China Jinmao as at 31 August 2020, the change in ownership is due to certain placing and subscription transactions. For further information, see “Recent Developments — Placing of Existing Shares and Subscription of New Shares of China Jinmao.”

## SINOCHEM GROUP

Sinochem Group is a SOE under the supervision of the SASAC. Founded in 1950, Sinochem Group was the first state-owned import and export company in China, and has historically focused on the import, export and international trading of petroleum, chemicals and agricultural products. In recent years, leveraging its long history of trading businesses, Sinochem Group has expanded into both upstream production and other downstream activities in each of the oil and gas and chemical businesses, and has also further diversified its businesses into real estate and financial services, transforming from a trading company to a multi-industry conglomerate. Sinochem Group is one of China's key SOEs and has been named to the "Fortune Global 500" 30 times and ranked 109th in 2020.

In June 2009, as part of its internal restructuring, Sinochem Group, together with COSCO, another SOE, formed a joint stock company, Sinochem Corporation. On 18 February 2020, COSCO transferred its 2% interest in Sinochem Corporation to Sinochem Investment Development Co., Ltd., a wholly-owned subsidiary of Sinochem Group. As at the date of this Offering Circular, Sinochem Group beneficially holds 100% of the equity interest in Sinochem Corporation, which in turn holds 100% of the equity interest in the Company.

Sinochem Group has four core business lines: energy, chemicals, real estate and financial services.

### Energy

Sinochem Group's energy business consists primarily of (i) oil exploration, production and trading; (ii) oil refineries, including a refinery in Quanzhou, Fujian Province, China, which is operated and wholly-owned by Sinochem Group and (iii) oil storage and logistics and gasoline retail businesses, which are operated by Sinochem Group. In 2018, Sinochem Group had a total storage capacity of approximately five million cubic meters, together with a storage and logistics network covering the Yangtze River Delta, the Pearl River Delta, the Bohai Bay region and other areas along China's coastline and rivers. Sinochem Group is also a leader in third-party petrochemical warehousing and logistics in China. As at 31 December 2019, Sinochem Group's distribution network comprised of 21 provincial level companies, 70 distribution depots, and over 1,300 service stations in operation or under construction in Southern, Eastern, Central, Northern and Northeastern China.

### Chemicals

Sinochem Group has operated its chemical business since its establishment. It consists primarily of fluorine chemical, intermediates and new material, agrochemical, polymer additive, natural rubber, petrochemical feedstock marketing and pharmaceuticals and health. See "Business — Others — Chemical Products Trading" for a description of the chemical trading business which is operated by the Company.

Sinochem Group has formed a complete industrial chain in its fluorine chemicals business covering resource development (fluorspar and hydrofluoric acid), research and development, production and marketing. It is China's leading fluorine chemicals company providing a wide range of products including ODS substitutes, fluoropolymers and fluorinated fine chemicals.

Sinochem Group has been operating a rubber business for over 60 years. It has evolved from an import agent to an industrialised producer and China's leading natural rubber provider and distributor as measured by volume of natural rubber supplied in 2019, with integrated international operations ranging from rubber planting, processing and marketing to logistics. It has natural rubber plantations in West Africa, and factories in Southeast Asia, West Africa, Hainan and Yunnan provinces of China. In 2019,

Sinochem possessed a natural rubber production capacity of 1.4 million tonnes, and was a leading enterprise in China in terms of processing capacities. Its products include tires as well as a variety of standard rubbers for manufacturing enterprises.

Sinochem Group's chemical business also conducts research and development, manufacturing and distribution of pharmaceutical products.

Sinochem Group is a leading market player in the trading of dyes and pigments.

In April 2019, Sinochem Group disposed all of its equity interest in Sinochem International Logistics Co., Ltd. to three third-party companies. Sinochem International Logistics Co., Ltd. is a supplier of petrochemical storage and logistics services.

## **Real Estate**

Sinochem Group's real estate business comprises property development and hospitality, which are conducted through China Jinmao and Jinmao, respectively. China Jinmao and Jinmao are both Hong Kong Stock Exchange-listed subsidiaries of the Company. See "Business — Real Estate" for descriptions of the Company's real estate business.

## **Financial Services**

Sinochem Group's financial services business consists primarily of financial leasing, trust businesses, futures, securities and investment funds, life insurance, corporate finance services. See "Business — Others — Securities Investments" for a description of the securities investments business operated by the Company.

Sinochem Group conducts financial leasing business through Far East Horizon Limited ("**Far East Horizon**"). Far East Horizon's business consists of financial service, industrial investment, trade agency and management consulting in those industrial sectors like medical care, packaging, transportation, construction, industrial equipment, education, IT, public utility, modern agriculture, chemicals and energy conservation. Far East Horizon was listed on the Hong Kong Stock Exchange in March 2011.

Sinochem Group operates its trust business through China Foreign Economy & Trade Trust Co., Ltd., which has four major business lines: small and micro finance, industrial finance, capital market and wealth management and owning various business qualifications. It has been authorised by the CBRC to conduct equity investment business using its own assets.

Sinochem Group has invested in two fund management companies, Lion Fund Management Co., Ltd. and Baoying Fund Management Co., Ltd.

Sinochem Group established a Sino-foreign life insurance joint venture, Manulife-Sinochem Life Insurance Co., Ltd. ("**Manulife-Sinochem**"), with Manulife Financial Corporation in November 1996.

Sinochem Finance Co., Ltd. was incorporated in June 2008 as a financial company under the direct supervision of the CBRC. In 2009, it started its business of third-party payment, foreign exchange services and its financial services include settlement, financing, financial intermediary, assets management, financial management and risk management.



## Summary Selected Consolidated Financial Data of Sinochem Group

The following table sets forth, as at and for the years ended 31 December 2018 and 2019, consolidated statement of comprehensive income and statement of financial position data of Sinochem Group, which has been prepared under PRC GAAP. This data has been derived from the consolidated financial statements of Sinochem Group for such periods which have been audited by Baker Tilly China Certified Public Accountants.

### *Consolidated Statement of Comprehensive Income Data*

	<b>For the years ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<b>(RMB million)</b>	
Gross revenue . . . . .	591,076	555,275
Cost of sales . . . . .	576,672	546,105
Operating profit . . . . .	15,870	18,405
Profit before taxation . . . . .	15,946	18,390
Net profit . . . . .	9,812	13,312

### *Consolidated Statement of Financial Position Data*

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<b>(RMB million)</b>	
Total current assets . . . . .	246,685	251,894
Total noncurrent assets . . . . .	243,257	296,999
Total assets . . . . .	<u>489,942</u>	<u>548,893</u>
Total current liabilities . . . . .	207,712	244,175
Total noncurrent liabilities . . . . .	<u>135,112</u>	<u>127,304</u>
Total liabilities . . . . .	<u>342,823</u>	<u>371,479</u>
Total equity . . . . .	<u>147,118</u>	<u>177,414</u>

## BUSINESS

The Company is the flagship overseas holding subsidiary of Sinochem Group and the primary overseas platform for executing Sinochem Group's business strategy. Sinochem Group is a SOE under the supervision of the SASAC. Founded in 1950, Sinochem Group was the first state-owned import and export company in China, and has historically focused on the import, export and international trading of petroleum, agricultural and chemical products. In recent years, leveraging its long history of trading businesses, Sinochem Group has expanded into both upstream production and other downstream activities in each of the oil and gas and chemical businesses, and has also diversified its businesses into real estate, hotel operations and financial services, transforming itself from a trading company into a multi-industry conglomerate. Sinochem Group is one of China's key SOEs and has been named in the "Fortune Global 500" 25 times and was ranked 109th in 2020.

The Company has been an integral part of Sinochem Group's transformation and expansion since commencing operations in Hong Kong in 1994. Over the years, its assets and businesses have continued to grow through reorganisations, asset injections and acquisitions by Sinochem Group. The Company accounted for approximately 66.8% and 75.3% of Sinochem Group's total assets as at 31 December 2018 and 2019, respectively, and 10.9% and 8.0% of Sinochem Group's revenue for the year ended 31 December 2018 and 2019, respectively, according to Sinochem Group's audited consolidated financial statements prepared in accordance with PRC GAAP and the Company's audited consolidated financial statements prepared in accordance with HKFRS. In 2019 and 2020, the Company reorganised its corporate structure and as a result, as at the date of this Offering Circular, it has disposed of its fertiliser business and chemical products trading business. See "Summary — Recent Developments".

In 2018, 2019 and the six months ended 30 June 2020, the Company's business consisted of three segments:

- *Fertiliser.* Through Sinofert, one of its Hong Kong Stock Exchange-listed subsidiaries, the Company engaged in the production, import, export, distribution, wholesale and retail sale of fertiliser-related products, services and raw materials, as well as research and development of new fertiliser production technologies and products. Sinofert has, through its controlling or participating interests, a full range of production capabilities, including nitrogen-based, phosphate-based, potash-based and compound fertilisers, and owns over 40,000 sales points across China as at 30 June 2020.

For the years ended 31 December 2018 and 2019, revenue from the Company's fertiliser segment amounted to HK\$27.2 billion and HK\$26.1 billion, respectively, representing 35.6% and 34.5%, respectively, of its revenue. Since 17 June 2020, the Company has ceased all of its fertiliser business.

- *Real Estate.* The Company's real estate businesses are property development and hotel operations, which are conducted by China Jinmao and Jinmao, respectively.

China Jinmao, one of the Company's Hong Kong Stock Exchange-listed subsidiaries, is a leading developer and operator of large-scale and high-grade commercial properties and upscale residential properties at prime locations in major cities and popular vacation destinations in China. China Jinmao owns, has developed or is developing a number of projects in, among other locations, Beijing, Shanghai, Tianjin, Chongqing, Shenzhen, Zhuhai (Guangdong Province), Sanya (Hainan Province), Qingdao, Jinan (Shandong Province), Changsha, Zhuzhou (Hunan Province), Suzhou, Changzhou, Nantong, Wuxi, Xuzhou, Nanjing, Changshu (Jiangsu Province), Kunming and Lijiang (Yunnan Province), Kaifeng, Wuhan (Hubei Province), Chengdu (Sichuan Province), Dongguan, Huzhou, Jiaxing, Taizhou, Wenzhou, Shaoxing, Hangzhou, Ningbo (Zhejiang Province), Fuzhou, Xiamen, Quanzhou

(Fujian Province), Nanchang (Jiangxi Province), Hefei (Anhui Province), Xi'an (Shaanxi Province), Zhengzhou (Henan Province), Yantai, Yueyang, Taiyuan, Weihai, Weifang, Jinhuai, Shantou, Zhangjiakou, Baoding, Guangzhou, Foshan and Guiyang (Guangxi Province), which include notable projects such as the Beijing Chemsunny World Trade Centre and the Nanjing International Centre.

Jinmao, one of the Company's Hong Kong Stock Exchange-listed subsidiaries, is a fixed single investment trust in Hong Kong with a focus on the hospitality industry in the PRC. Jinmao primarily owns and invests in a portfolio of hotels located in prime, strategic locations in top tier cities or tourist hot spots in the PRC such as Beijing, Shanghai, Chongming, Lijiang, Shenzhen and Sanya, which includes the Westin Beijing Chaoyang, the Ritz Carlton Sanya and Grand Hyatt Shanghai. The Company also owns the Jin Mao Tower (a mixed-use development), one of the landmark buildings in the PRC located in the heart of the Lujiazui Financial and Trade Zone, the key financial centre in Shanghai.

Sinochem Group is one of the SOEs approved by SASAC to principally engage in property development and hotel operations.

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue from the Company's real estate segment amounted to HK\$45.8 billion, HK\$49.3 billion, HK\$16.9 billion and HK\$13.4 billion, respectively, representing 60.0%, 65.1%, 99.0% and 98.9%, respectively, of its revenue.

- *Others.* The Company is engaged in other business segments including chemical products trading and securities investment. Since 30 December 2019, the Company has ceased all of its chemical products trading business.

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, revenue from the Company's other business segments, including both continuing operations and discontinued operations, amounted to HK\$5.2 billion, HK\$2.0 billion, HK\$0.9 billion and HK\$0.3 billion, respectively, representing 6.8%, 2.5%, 5.4% and 2.0%, respectively, of its total revenue.

The following table sets forth the Company's revenue by business segment for the periods indicated:

	Year ended 31 December				For the six months ended 30 June			
	2018		2019		2019		2020	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
	(audited)				(unaudited)			
Real Estate . . . . .	45,805	60.0	49,261	65.1	16,941	99.0	13,351	98.9
Fertiliser <sup>(1)</sup> . . . . .	27,195	35.6	26,077	34.5	—	—	—	—
Others (including both continuing operations and discontinued operations) <sup>(1)</sup> . . . . .	5,224	6.8	1,959	2.6	929	5.4	270	2.0
Inter-segment revenue <sup>(2)</sup> . . . . .	(1,938)	(2.5)	(1,605)	(2.1)	(756)	(4.4)	(121)	(0.9)
Total <sup>(3)</sup> . . . . .	<u>76,287</u>	<u>100.0</u>	<u>75,692</u>	<u>100.0</u>	<u>17,114</u>	<u>100.0</u>	<u>13,500</u>	<u>100.0</u>

(1) The Company completed the transfer of its equity interest in Sinofert on 17 June 2020 and its chemical products trading business in the others segment on 30 December 2019. Revenue from chemical products trading business was HK\$2,760 million and HK\$2 million for the years ended 31 December 2018 and 2019, respectively. For further information, see "Recent Developments — Disposal of the Fertiliser Segment and Chemical Products Trading Business", Note 10 to the Company's consolidated financial statements as at and for the year ended 31 December 2019 and Note 9 to the Company's interim consolidated financial statements as at and for the six months ended 30 June 2020.

(2) All intra-company transactions, balances, income and expenses are eliminated on consolidation.

(3) Casting differences may be incurred as each figure of the line item displayed in the consolidated financial statement was rounded directly.

The Company's businesses are conducted through a network of offices around the globe, with its principal office located in Hong Kong.

### **Sinochem Group**

Sinochem Group is one of the key SOEs under the supervision of the SASAC. It is a multi-industry conglomerate with businesses in energy, chemicals, real estate, hotel operations and financial services. Sinochem Group had RMB490 billion and RMB549 billion (US\$79 billion) in total assets as at 31 December 2018 and 2019, respectively, and RMB591 billion and RMB555 billion (US\$80 billion) in revenue for the year ended 31 December 2018 and 2019, respectively, according to Sinochem Group's audited consolidated financial statements prepared in accordance with PRC GAAP. The Company believes that Sinochem Group was one of the largest chemical service providers and one of the largest real estate companies in China as at 31 December 2019. See "History and Structure of Sinochem Group and the Company" and "Sinochem Group".

### **Issuer**

The Issuer is a wholly owned subsidiary of the Company and was incorporated with limited liability on 4 January 2011 in the British Virgin Islands under the BVI Business Companies Act, 2004. The Issuer has no material assets and will not conduct any business, except in connection with the issuance of the Notes and the advancement of net proceeds from the issuance to the Company. The registered address of the Issuer is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

### **Competitive Strengths**

The Company believes that the following factors contribute to its strong competitive position:

#### ***Market leadership in China's strategic industries***

The Company is a market leader in each of its core business segments. The Company is the flagship overseas holding company of Sinochem Group, a key SOE in China and a Fortune Global 500 company.

#### ***Fertiliser***

- The Company believes that Sinofert, a majority-owned subsidiary of the Company listed on the Hong Kong Stock Exchange, was one of the largest importers, distributors and manufacturers of fertilisers in China as measured by revenue and volume as at 30 June 2020. As at 30 June 2020, Sinofert owns over 40,000 sales points across China.
- Sinofert is a major fertiliser company in China with a full range of production capabilities that include nitrogen-based, phosphate-based, potash-based and compound fertilisers through its controlling and participating interests.
- Together with the seed and agrochemicals businesses operated by the Company's affiliated companies, as one of the largest agricultural input companies in China, Sinochem Group is critical to China's food security and economic development.
- Sinofert believes it is a leading fertiliser company in the PRC. In August 2017, Sinofert was awarded a Class A award by China National Chemical Information Center Co., Ltd. for one of its research papers. In May 2018, Sinofert was ranked 49th by Xinhuanet in the list of "2017 Top 100 China Brands". In December 2018, Sinofert was awarded "The Most Socially Responsible Company" among Hong Kong listed companies in the selection of

“2018 Golden Lion Award” sponsored by Sina Finance. In 2018, Sinofert was also awarded “Brand for Industrial Contribution” in the 4th Best Fertiliser of China public welfare selection.

#### *Real Estate — Property Development*

- China Jinmao, a substantially-owned subsidiary of the Company listed on the Hong Kong Stock Exchange, is a leading developer of high-end commercial and other complexes in major cities and popular tourist destinations in China.
- Sinochem Group is one of the SOEs approved by the SASAC to engage in property development and hotel operations as principal businesses.
- China Jinmao has won numerous industry awards, including being named among “2019 China Top 100 Real Estate Developers”, “2019 China Top 100 Real Estate Developers by Profitability Top 10”, “2019 China Top 100 Real Estate Developers by Growth Top 10”, “2019 China Top 100 Real Estate Developers by Financing Capabilities Top 10”, “2019 Real Estate Excellence Top 100”, “16th China Blue Chip Real Estate Developers for 2019”, “2019 Top 500 Asian Brands”, “2019 Top 50 Most Valuable Real Estate Development Brands”, “2019 Top 50 China Real Estate Green Credit Ranking”, “2019 Top 10 Most Competitive Green Property Developers in the PRC” and “2019 Top 10 Most Competitive Green Commercial Property Operators in China”, “20th in the Top 100 Real Estate Companies in China 2020”, “Fifth in the Top 10 Profitable Real Estate Companies in China 2020”, “Second by Growth Capability in the Top 10 Real Estate Companies in China 2020”, “Third by Financing Capability in the Top 10 Real Estate Companies in China in 2020”, “12th in the 2020 China Real Estate Excellence 100 List”, “12th in the 2020 China Real Estate Brand Value Excellence”, “12th in the 2020 China Real Estate Management and Team Excellence List”, “Seventh in the 2020 China Real Estate Business Model Excellence List”, “12th in the 2020 China Top 30 Real Estate Listed Companies (Real Estate G30)”, “Seventh in the 2020 China’s Top 10 Listed Real Estate Companies in Financing Ability”, “18th in the 2020 China Top 500 Real Estate Development Enterprises” and “Eighth in the 2020 China’s Top 10 Real Estate Development Enterprises for Commercial Real Estate Operations”.

#### *Real Estate — Hotel Operations*

- Jinmao, a substantially-owned subsidiary of the Company listed on the Hong Kong Stock Exchange, is the only fixed single investment trust in Hong Kong with a focus on the hospitality industry in the PRC.
- Jinmao has a distinct portfolio of top quality assets located in top tier cities or tourist hot spots in the PRC with established operating histories and strong brand recognition, particularly through its hotel managers, such as the Hyatt Hotels, Marriott International and Hilton Worldwide.
- In addition to its status of being one of the leaders in the hospitality industry in the PRC, Jinmao’s property portfolio also includes the Jin Mao Tower (a mixed-use development) located in the heart of Lujiazui Financial and Trade Zone, the key financial centre in Shanghai, comprising a wide range of upscale restaurants, retail shops, offices, a hotel and entertainment facilities. The Jin Mao Tower is one of the landmark buildings in the PRC.

### ***Diversified and vertically integrated business portfolio with sustainable growth potential***

The Company's diversified business portfolio reduces its operational risk from market developments in a single industry.

- *Fertiliser:* Sinofert has expanded into the upstream resource ownership and fertiliser manufacturing business, transforming itself into a vertically integrated fertiliser company with extensive product lines. Vertical integration enables Sinofert to increase its supply sources, improve control over product quality and cost and stabilize profitability. Sinofert's extensive distribution network also provides strong support to the seed and agrochemicals businesses conducted by the Company's affiliates.
- *Real Estate — Property Development:* China Jinmao's businesses include property development and property leasing. With a balanced portfolio of different types of developments and investments, China Jinmao is well-positioned to improve profitability, reduce operational risks and increase operational flexibility and efficiency.
- *Real Estate — Hotel Operations:* Jinmao's property portfolio comprises high-end hotels and commercial properties which generates a diversified source of revenue for Jinmao. Jinmao derives rental income from the office and retail areas of the Jin Mao Tower and the retail areas of certain hotels, as well as other revenue derives from ancillary services from its hotel business. Furthermore, Jinmao also enjoys a diversified customer mix for its hotel property in terms of geographical origin. Such balanced property portfolio of quality assets allows Jinmao to continue its growth fuelled by a diversified income source as well as reduced risk exposure of being overly-dependent on customers from a particular global region.
- *Others:* The Company's operations in chemical products trading and securities investments also had high levels of integration with businesses conducted by the Company's affiliates. For example, the Company's chemical trading business operated in close cooperation with chemical production, import, export and other chemical-related businesses conducted by Sinochem Group's other subsidiaries.

### ***Strong support from Sinochem Group, one of China's key SOEs under direct supervision of the SASAC***

- Sinochem Group is one of the largest SOEs in China with over 60 years of history. Sinochem Group was the first import and export SOE authorised to specialise in foreign trade, has been named in the "Fortune Global 500" 25 times and ranked 109th in 2020, and ranked 23rd in China's "Top 500 Enterprises" by China Enterprise Confederation ("CEC") and China Enterprise Directors Association ("CEDA") in 2019.
- Sinochem Group is one of China's key SOEs and plays a critical role in China's economy. For example, Sinochem Group's import businesses in the oil and gas, fertiliser and chemical industries, a substantial portion of which are conducted or facilitated by the Company, are critical to China's food security and economic development.
- The SASAC closely supervises the strategic development and management of Sinochem Group, whose senior management is appointed by the SASAC and whose performance is periodically reviewed by the SASAC. In 2020, Sinochem Group was awarded a Class A designation in its 2019 SOE operating performance review, achieving this honour for the fifteenth consecutive year.

- The Company holds many of the strategically important assets of Sinochem Group, including all of its real estate business, as a result of a long track record of asset injection by Sinochem Group and recent restructuring. As a result of Sinochem Group's restructuring and strategy of vertical integration, all of the Company's oil and gas assets were transferred to another subsidiary of Sinochem Group. Since 1 January 2017, the Company has disposed of its oil and gas exploration and production businesses, and since 31 October 2017, the Company has disposed of its oil and gas trading business. The Company also transferred its oil trading business to another subsidiary of the Sinochem Group in 2017 and discontinued its oil segment operations. The Company accounted for approximately 66.8% and 75.3% of Sinochem Group's total assets as at 31 December 2018 and 2019, respectively, and 10.9% and 8.0% of Sinochem Group's revenue for the year ended 31 December 2018 and 2019, respectively, according to Sinochem Group's audited consolidated financial statements prepared in accordance with PRC GAAP and the Company's audited consolidated financial statements prepared in accordance with HKFRS. On 5 January 2020, the Company further reorganised its corporate structure and entered into an agreement to dispose of all of its equity interests in Sinofert to CNAC (HK) Holdings Company Limited, an indirect wholly-owned subsidiary of China National Chemical Corporation Ltd., a PRC wholly state-owned chemical enterprise under the direct supervision and administration of SASAC. The disposal was completed on 17 June 2020.
- The Company is Sinochem Group's overseas platform for executing its business strategy. The Company's business operations and development strategies are under centralised management by the relevant business units of Sinochem Group, which also provides personnel, technical, risk management, administrative, financial and other support to the Company.

***Practical and effective internal risk and financial management to support prudent business operation and expansion***

- Sinochem Group and the Company maintain a practical and effective internal risk management system that covers substantially all of its businesses, including those conducted by the Company. It has a set of comprehensive risk management policies and guidelines designed to minimize strategic risks, operational risks, market risks, financial risks and legal risks with well-defined checks and balances. For example, Sinochem Group maintains a comprehensive database related to its trading counterparties and screens them thoroughly to reduce counterparty risk. It also typically enters into back-to-back contracts or other hedging transactions to reduce market price risk. Furthermore, Sinochem Group purchases insurance to cover credit risks relating to its international trading business. See "Business — Risk Management" for further details regarding Sinochem Group and the Company's risk management system.
- Sinochem Group has centralised departments managing its liquidity, cash flow and debt ratios to ensure a prudent expansion of its business and operations. Financial management of the Company is also integrated with that of Sinochem Group. For example, in 2014, Sinochem Group injected HK\$1.9 billion into the Company. Furthermore, Sinochem Group is regarded by the domestic financial markets as having top-tier credit. It maintains an AAA domestic credit rating that enables it to secure domestic debt financing at low cost and to financially support the Company, its strategically critical subsidiary. Both Sinochem Group and the Company also have access to ample bank facilities to support their funding needs.



### ***Established and trusted Sinochem brand***

- The Company enjoys the high market value of the Sinochem brand, one of the most valuable and recognised brands in China over 60 years of cultivation. The World Brand Laboratory ranked Sinochem as the seventh most valuable brand in China in 2020.
- Many of the Company's subsidiaries and business segments have also been recognised and awarded by industry experts for their business excellence, marketing and innovation, product development and brand recognition. For example the "Jin Mao" brand was recognised as one of "China's 500 Most Valuable Brands" by World Brand Laboratory in 2020 for sixteen years in a row.

### ***Experienced and respected management team***

- The Company's businesses are generally centrally managed at Sinochem Group's level. Each of the Company's business units reports directly to the senior management of corresponding business segments of Sinochem Group. Mr. Ning Gaoning, Chairman of the Company, is also Chairman of Sinochem Group.
- Sinochem Group's key management executives are appointed by the State Council through a careful selection and evaluation process to ensure that the management team has the appropriate experience, leadership skills and technical competence to manage Sinochem Group and the Company.
- The current management team is comprised of individuals with a proven track record and many years of experience in the business sector.

### ***Strong, long-term relationships with major global players***

- Sinochem Group, throughout its long operating history, has established strong and long-term business relationships with major global players, including Canpotex and Arab Potash Company in the fertiliser segment; and Hyatt Hotels, Marriott International and Hilton Worldwide in the hotel operations business.
- These business relationships are further enhanced through direct equity holdings. For example, Nutrien Ltd., one of the largest potash providers in the world and the largest shareholder of Canpotex, is also the second largest shareholder of Sinofert as well as an important strategic partner.

With strong, long-term business relationships with the leading global and domestic fertiliser providers, the Company has a unique capability to obtain high volume fertiliser products from overseas sources at competitive prices. These relationships have given the Company an advantage over many smaller-scale domestic importers. For example, Sinofert has exclusive rights to import potash fertiliser from Canpotex and Arab Potash Company, a key fertiliser for which China relies substantially on imports.

Through strategic cooperation with globally renowned real estate operators in major cities and popular vacation destinations, the Company is able to deliver superior service to clients and maintain a leading position in the hotel industry in terms of revenue per available room and occupancy rate.

## Strategy

Sinochem Group aims to strengthen its market leadership position in each of its major business segments and increase its global competitiveness. As an integral part of this overall goal, the Company aims to achieve significant growth by employing the following strategies:

### *Property Development*

China Jinmao aims to continue to grow as a leading developer and operator of high-end commercial properties and residential properties in the PRC.

*Continue to focus on the development and operation of high-end real estate projects in prime locations in major cities and popular vacation destinations*

China Jinmao intends to continue to focus on developing and operating high-end real estate projects, in particular commercial and residential property complexes and hotels, at prime locations in China's major cities and popular vacation destinations. China Jinmao believes that high-quality and notable properties, such as Jin Mao Tower, a landmark in Shanghai, and the Ritz-Carlton, Sanya, can command higher prices and higher long-term appreciation potential and enable it to achieve better operating results.

China Jinmao has several high-end real estate projects under development, including the Shanghai International Shipping Service Centre located on the banks of the Huangpu River in Shanghai. As at 30 June 2020, China Jinmao was engaged in 159 city operations and property development projects at different stages of development at sites located in Beijing, Shanghai, Suzhou, Hangzhou, Guangzhou, Changsha, Xuzhou, Kunming, Dongguan, Quanzhou, Changzhou, Nantong, Zhuzhou, Kaifeng, Huzhou, Shaoxing, Taizhou, Guiyang, Jinan, Fuzhou, Wenzhou, Zhengzhou, Chengdu, Nanchang, Zhangjiakou, Baoding, Jinhua, Sanya, Shantou, Weihai, Weifang, Yueyang, Zhuhai, Xiamen, Jiaxing, Xi'an, Taiyuan, Yantai, Qingdao, Lijiang, Chongqing, Nanjing, Changshu, Ningbo, Tianjin, Foshan, Shenzhen, Zhengzhou, Wuhan, Hefei and Wuxi.

*Maintain a balanced portfolio of property developments and investments encompassing a variety of property types*

China Jinmao plans to maintain a balanced portfolio of property developments and investments, including office buildings and residential properties. For example, China Jinmao has developed the Lijiang Jin Mao Snow Mountain Whisper Project as a mixed-use complex incorporating high-end residential, luxury hotel and retail and has developed the Shanghai Dongtan Jin Mao Noble Manor project into an integrated recreation, sports and holiday resort, comprising a sports park, residential properties, a holiday resort and hotels. China Jinmao also plans to actively adjust the proportion of properties held for long-term management and properties developed for sale to achieve a balanced operational portfolio and to increase revenue stability and visibility, thereby reducing its operational risk and enhancing the sustainability of its growth.

*Continue to collaborate with local governments to diversify its sources of access to high-quality land resources*

Although China Jinmao still focuses primarily on acquiring land use rights and developing high-end commercial and residential properties for sale or investment, it has recently begun collaborating with local governments in developing land prior to the land use rights allocation process. For example, on 26 January 2011, China Jinmao entered into a master agreement with the Management Committee of Dahexi Pilot Zone in Changsha, with respect to the development of the Changsha Meixi Lake Primary Development Project. Pursuant to the terms of this agreement, China Jinmao will manage all land

requisition, compensation and resettlement, preliminary municipal infrastructure and urban public facilities planning, and other related developments within the Changsha Meixi Lake Primary Development Project area (including Changsha Meixi Lake International New City Project). Following the sale of the land plots by the local government, China Jinmao is entitled to receive from the local authorities the land development fee. China Jinmao is allowed to subsequently participate in the bidding for or auction or listing-for-sale of the land being developed in connection with the project.

*Continue to leverage its project development expertise, its relationship with Sinochem Group and its established SOE network to secure high-quality land resources*

China Jinmao typically acquires land use rights through competitive bidding, cooperation with local governments, or by purchasing such rights from third parties or by indirectly acquiring such rights through purchasing equity interests in companies that hold the desired land use rights. Accordingly, China Jinmao believes its project development experience and established industry relationships strengthen its ability to secure high-quality land resources. In addition, as one of Sinochem Group's core subsidiaries, China Jinmao is able to utilise Sinochem Group's extensive network and resources in negotiations with governmental authorities to secure rights to develop projects as it has done in Changsha in 2011. China Jinmao intends to continue to capitalise on its experience and relationships, including with Sinochem Group, to acquire land in locations with vibrant economies and high revenue potential, including the Yangtze River Delta, the Pearl River Delta, the Bohai Bay Region (which includes the Beijing metropolitan region), the Central China region and popular vacation destinations in China.

*Continue to enhance its brand awareness to stimulate sales and property prices*

China Jinmao intends to continue to promote its brand names by focusing on high-quality and innovative projects, thereby enhancing its customers' overall satisfaction. China Jinmao will continue to build market recognition of its brand names through marketing initiatives such as advertising campaigns, participation in international property exhibitions and organizing customer promotion events. China Jinmao intends to leverage such recognition to promote the image and sales of its projects and properties.

*Continue to incorporate innovation into our projects, creating technologically advanced and innovative projects*

To help ensure the quality and utility of its developments, China Jinmao consults with potential clients prior to designing and constructing new projects. During this process, China Jinmao works with internationally-renowned architectural and design firms, such as the U.S.-based Skidmore, Owings & Merrill LLP, to incorporate innovative concepts and technology into its projects. China Jinmao intends to continue to innovate in an effort to create technologically advanced projects.

For example, China Jinmao plans to develop offices, residential buildings and hotels with technologically advanced features designed to conserve energy, allow natural light to enter buildings and enhance the aesthetics of their development. China Jinmao believes that by incorporating such innovation into its projects, China Jinmao will be able to provide its customers with unique and attractive properties and distinguish its projects and businesses from those of its competitors.

*Continue to implement green strategy to achieve innovative development and differentiated competition*

China Jinmao intends to implement green strategy as a crucial soft power of China Jinmao to achieve innovative development and differentiated competitiveness. During 2019, China Jinmao also issued inaugural offshore green bond. China Jinmao is also the first real estate company in China approved to issue green corporate bonds. In December 2017, China Jinmao obtained the China

Securities Regulatory Commission's approval for issuance of up to RMB4.4 billion domestic green corporate bonds. During 2019, China Jinmao obtained 30 green building certifications and labels including 20 state-standard green building certifications or labels, eight BREEAM certifications, one LEED pre-certification, and one state-standard healthy building certification. Among the residential projects, the land parcel c-05a in Oujiangkou of Wenzhou, Wenzhou Lucheng Jinmao Palace, Guangzhou Lingshan Island Jinmao Harbour Phase I, Nantong Jinmao Yayuan Project and Chengdu Jinmao Palace Phase I received three-star state standard green building certifications, and Hangzhou Dongcheng Jinmao Palace received three-star state standard green building label. Among commercial office premise projects, the integrated development project on the land parcel HK322-01 at Tilanqiao Street in Hongkou District received three-star state standard green label and LEED gold certification.

### ***Hotel Operations***

Jinmao aims to continue to focus on the hospitality industry in the PRC and to grow as an operator of high-end hotels and mixed-use commercial complexes in the PRC.

*Seek asset enhancement opportunities and implement proactive measures to manage and improve asset quality*

Jinmao intends to identify, evaluate and approve property improvement opportunities and will conduct asset enhancement programmes that aim to maintain the attractiveness of its property portfolio, enhance the revenue-generating abilities and profitability of its operations and increase its market share as well as return on investments. These programmes will focus on (i) the renovation of hotel rooms, and (ii) the improvement of the retail, tourism and entertainment facilities located on Jinmao's properties. Furthermore, Jinmao will also implement promotional and competitive measures intended to strengthen its landmark status in Shanghai.

*Leverage on the experience, market reach and network of China Jinmao in the hospitality industry to source and pursue value-enhancing acquisitions*

Jinmao will prudently evaluate acquisition opportunities and will take into account factors such as geographic locations, strong fundamentals, growth potential and the long-term impact on Jinmao. Jinmao and China Jinmao had entered into hotel arrangements designed to minimize conflicts of interest and competition between China Jinmao and Jinmao. Such hotel arrangements also enable Jinmao to acquire existing or future hotel assets from China Jinmao or from other third parties through China Jinmao's network. In addition, Jinmao will also benefit from both China Jinmao's extensive domestic and overseas network and acquisition experience and Jinmao's own experience in the hospitality industry in the PRC.

*Improve the operational efficiency of hotel properties*

Jinmao intends to work with its hotel managers and other parties to proactively manage its hotel properties and increase revenue. Jinmao intends to take the following actions in respect of its properties and services:

### ***The Hotels***

Jinmao intends to:

- increase both the number of repeat customers and new customers through providing quality and targeted services and through broadening the sources of customers;
- enhance its sales and marketing endeavours, along with its customer service efforts to improve gross operating profit;

- continue to reward customer loyalty through the various loyalty programmes operated by the hotel managers; and
- introduce promotional programmes based on the business cycle to target priority customers and optimise business mix.

Jinmao intends to work with the hotel managers to actively reduce its operating costs by:

- increasing the efficiency and effectiveness of its centralised procurement system and its profit margin;
- maximising operational efficiency and productivity;
- maintaining a flexible cost structure which is adjustable to changes in economic and market trends; and
- reviewing pricing of food and beverage services.

Jinmao also intends to work with its hotel managers to actively maintain competitiveness by attracting and retaining the best talents through the hotel managers' hospitality training and global mobility opportunities as well as through their career advancement paths.

#### *Jin Mao Tower*

Jinmao intends to:

- continuously optimise its retail and office tenant mix to achieve rental reversion and maintain high occupancy rates;
- continue to upgrade the Jin Mao Tower through enhancements, renovations and refurbishments so as to enhance its marketability to tenants and strengthen its image; and
- proactively manage leases and capture opportunities so as to secure rental income prior to the expiries of the leases and reduce vacant or unused retail and office space.

Jin Mao believes the above measures will allow itself to maintain the high quality of its properties and services and will ensure that each of its properties will continue to add value to its portfolio.

#### *Endeavour to maintain a prudent capital and investment structure, diversified and flexible sources of funding and a strong and healthy financial position*

Jinmao intends to maintain a prudent capital and investment structure through enhancing its capital management policies and risk management strategies. Jinmao aims to (i) continue to deploy its capital effectively and (ii) bolster its risk management practices to balance risks and returns. Furthermore, Jinmao intends to maintain a strong and healthy financial position and to maximize its capital return through a disciplined approach to cost management and through continuous implementation of strict cost control measures. Jinmao's intention is to maintain a strong credit record to access funding at relatively low costs. Jinmao will also closely monitor capital and/or debt markets and maintain access to, and explore, different financing alternatives.

## Fertiliser

### Overview

The Company's fertiliser business is conducted through Sinofert and its affiliates. Sinofert and its subsidiaries focus on ownership of upstream resources, production, import, export, distribution, and wholesale and retail sales of fertiliser raw materials and products, as well as research and development and services in the field of fertiliser-related business and products.

For the years ended 31 December 2018 and 2019, the Company's basic fertiliser segment accounted for 67.3% and 67.8%, respectively, of its revenue. For the years ended 31 December 2018 and 2019, the Company's basic fertiliser segment reported a segment profit of 75.8% and 57.0%, respectively, of its total segment profit.

In July 2005, Sinofert became the first Chinese fertiliser company to list on the Hong Kong Stock Exchange. Further information about Sinofert is available in its public filings with the Hong Kong Stock Exchange ([www.hkex.com.hk/eng/](http://www.hkex.com.hk/eng/)). Information contained on the Hong Kong Stock Exchange's website relating to Sinofert does not constitute part of this Offering Circular. As at 31 December 2019, the Company owned approximately 52.7% of Sinofert and Nutrien Ltd. held approximately 22.3% of Sinofert. The Company completed the transfer of its equity interest in Sinofert on 17 June 2020. As at 30 June 2020, the Company no longer held any equity interest in Sinofert. For further information, see "Recent Developments — Disposal of the Fertiliser Segment and Chemical Products Trading Business" and Note 10 to the Company's consolidated financial statements as at and for the year ended 31 December 2019 and Note 9 to the Company's interim consolidated financial statements as at and for the six months ended 30 June 2020.

### Products

Sinofert offers a range of fertiliser products with high concentration levels of nutrients and different compositions of nutrients to cater to customers' needs. The following table summarizes Sinofert revenues by major product types for the periods indicated:

	For the years ended 31 December						For the six months ended 30 June					
	2018			2019			2019 <sup>(3)</sup>			2020 <sup>(3)</sup>		
	RMB (million)	HK\$ (million) <sup>(1)</sup>	%	RMB (million)	HK\$ (million) <sup>(1)</sup>	%	RMB (million)	HK\$ (million)	%	RMB (million)	HK\$ (million)	%
Potash fertilisers . . . . .	4,502	5,138	19.6	3,842	4,289	16.7	2,470	2,808	17.4	2,150	2,354	17.1
Nitrogen fertilisers . . . . .	4,874	5,563	21.2	5,337	5,958	23.3	3,693	4,198	26.1	3,172	3,473	25.3
Compound fertilisers . . . . .	5,891	6,723	25.6	5,852	6,533	25.5	3,431	3,900	24.2	3,166	3,466	25.2
Phosphate fertilisers . . . . .	4,920	5,615	21.4	5,005	5,587	21.8	3,226	3,667	22.8	2,530	2,770	20.2
Monocalcium/Dicalcium phosphate fertilisers . . . . .	832	950	3.6	879	981	3.8	463	526	3.3	443	485	3.5
Others . . . . .	1,977	2,256	8.6	2,036	2,273	8.9	876	996	6.2	1,088	1,191	8.7
Total <sup>(2)</sup> . . . . .	22,996	26,245	100.0	22,951	25,621	100.0	14,159	16,096	100.0	12,549	13,739	100.0

- (1) Translated from Renminbi into HK dollars at the rate of (i) RMB0.8762 to HK\$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on 31 December 2018 for 2018 figures, (ii) RMB0.8958 to HK\$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on 31 December 2019 for 2019 full-year figures, (iii) RMB0.8797 to HK\$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on 28 June 2019 for 2019 half-year figures and (iv) RMB0.9134 to HK\$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on 30 June 2020 for 2020 figures.
- (2) Casting differences may be incurred as each figure of the line item displayed in the consolidated financial statements was rounded directly.
- (3) The revenue by major product types for the six months ended 30 June 2019 and 2020 are extracted from Sinofert's interim results for the six months ended 30 June 2020 published by Sinofert on the Hong Kong Stock Exchange.

## *Sourcing*

Sinofert sources fertiliser products and certain raw materials from international suppliers as well as suppliers in the PRC including products produced by its subsidiaries and associate companies. Products sourced by Sinofert primarily include potash-based fertilisers, compound fertilisers, Nitrogen fertilisers and other agricultural-related products.

### *Relationship with suppliers*

Sinofert has established long-term strategic relationships with overseas and domestic suppliers in an effort to ensure a stable supply of quality fertiliser products.

Sinofert enters into annual or master procurement contracts or memorandums of understanding with its principal suppliers. The terms of its memorandums of understanding generally range from several months to one year. Certain major terms, including estimated annual purchase volume, pricing mechanisms, payment terms and delivery arrangements are set out in the procurement contracts. Detailed purchase orders with shipment schedules are placed by Sinofert with the suppliers on a monthly or quarterly basis. Pursuant to the terms of these procurement contracts, Sinofert usually is expected to complete payment over periods ranging from 30 to 90 days. Payments for international purchases are normally made in U.S. dollars, whereas those for domestic sourcing are made in RMB.

Procurement from the five largest suppliers to Sinofert in the aggregate accounted for no more than 30.0% of Sinofert's cost of purchases for each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020.

### *Domestic sourcing*

In respect of domestic sourcing, Sinofert sources its fertiliser products and raw materials directly from producers as well as through agents in the PRC. Sinofert favours suppliers with abundant resources and regional suppliers with a competitive edge in local markets. Sinofert typically enters into one-year purchase agreements with suppliers with whom it has long-term relationships. Sinofert also sources potash from Qinghai Salt Lake Industry Co., Ltd., ("**Qinghai Salt Lake**"). As the most important domestic potash supplier, Qinghai Salt Lake maintained a long-term business relationship with Sinofert and supplied potash products to Sinofert by means of payment upon delivery or payment in advance. On 24 October 2017, Sinochem Fertiliser Co., Ltd. ("**Sinochem Fertiliser**", a subsidiary of Sinofert) entered into a share transfer agreement with Sinochem Group pursuant to which Sinochem Fertiliser agreed to sell and Sinochem Group agreed to purchase all the shares of Qinghai Salt Lake held by Sinochem Fertiliser, representing 20.52% of its total issued share capital of Qinghai Salt Lake. The transaction has been approved by the independent shareholders of Sinofert and the SASAC in December 2017. On 18 May 2018, the share transfer was completed. Following the completion of the disposal, Sinochem Fertiliser has ceased to hold any shares of Qinghai Salt Lake.

Sinofert also maintained a stable potash business relationship with Shandong Sunfull Chemical Group Co., Ltd. ("**Sunfull Chemical**"), one of the major customers since 2006. Sinofert took the form of advance payment for all the sales to Sunfull Chemical. In January 2019, Sinochem Fertilizer Co., Ltd., a subsidiary of Sinofert, agreed with YARA, a key supplier of Sinofert, on the joint development and expansion of the market in northern China, and agreed for Sinofert to be the exclusive agent in certain northern regions in China such as Shandong province.



### *International sourcing*

In respect of international sourcing, Sinofert sources various kinds of fertiliser products, particularly potash-based fertilisers, fertiliser raw materials and other agricultural-related products, mainly from North America, Europe, Africa and the Middle East. Sinofert has established long-term and stable partnerships with major suppliers around the world through exclusive supply agreements for product distribution in the PRC and other strategic cooperation agreements. For example, Sinofert purchases potash-based fertilisers and sulfate of potash magnesia from Canpotex, Belarusian Potash Company, Uralkali Trading and Arab Potash. In November 2017, Sinofert entered into the high-tech fertiliser sector through an agreement with Yara International ASA for sales of eco-friendly products. Furthermore, Sinofert maintains partnerships with Office Cherifien des Phosphates and Groupe Chimique Tunisien for its phosphate fertiliser business and Yara International ASA for its compound fertiliser business. In August 2018, Sinofert signed a five-year (2019–2023) Memorandum of Understanding with JSC Belarusian Potash Company, under which Sinofert would be the exclusive agency of white granular potash for the Chinese market.

Pursuant to PRC law, in order for fertiliser products to be imported into the PRC, overseas suppliers must sell their products to a PRC company possessing the right to import such products into the PRC who in turn may sell the fertiliser products to the domestic distributors who arrange for their delivery from the overseas suppliers. Sinochem Group is one of the two state-owned PRC entities licensed to import potash fertiliser products into the PRC. The international procurement arm of Sinofert sources fertiliser products from overseas suppliers and sells them to Sinochem Group. Sinochem Group who imports the fertiliser products then sells them all (except for any such products imported by Sinochem Group on behalf of other customers) to the Sinofert's PRC subsidiaries for distribution within the PRC.

Sinofert depends on Nutrien Ltd., its second largest shareholder with an ownership interest of approximately 22.3% as at 30 June 2020, for the import of majority of the Sinofert's potash-based fertiliser. For the six months ended 30 June 2020, Sinofert's purchases of potash-based fertilisers and sulfate of potash magnesia amounted to approximately 20.0% and less than 1.0% of Sinofert's cost of purchases, respectively.

### *Purchase planning*

Sinofert prepares annual purchase plans to determine the amount of fertiliser products and raw materials to source in the forthcoming year. In its annual purchase plans, Sinofert considers historical sales of each type of its products, total consumption of raw materials and total production output for the preceding year and estimates production and material requirements for the forthcoming year. Sinofert will then negotiate purchase volume, purchase price or pricing mechanisms and other terms with its long-term suppliers, usually based on a spot pricing or quarterly basis.

### *Production facilities and production capacity*

Sinofert is one of the largest fertiliser producers in China. As at 30 June 2020, Sinofert has established eight production facilities, in which Sinofert held majority interests, producing a variety of fertilisers, including nitrogen-based, phosphate-based, potash-based and compound fertilisers. Sinofert was able to ensure the supply of products through holding equity interests in large domestic fertiliser production facilities.

### *Raw materials*

Major raw materials for the production of fertiliser products include: (i) for phosphate-based fertilisers: phosphorus rocks, sulfuric acid and ammonia, (ii) for compound fertilisers: monoammonium phosphate (MAP), muriate of potash (MOP), urea, ammonium and potassium chloride, and (iii) for nitrogen-based fertilisers: coal and natural gas. In 2012, Sinofert acquired a 100% equity interest in Sinochem Yunlong Company Limited, which had a production capacity of 0.6 Mt of phosphorus rocks. A significant amount of the major raw materials is purchased from suppliers.

### *Distribution*

Sinofert is a leading supplier of fertiliser products in the PRC as measured by sales volume. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, Sinofert's total sales volume amounted to approximately 11.0 Mt, 11.5 Mt, 7.2 Mt and 7.0 Mt, respectively, and in 2019 and for the six months ended 30 June 2020, the total revenue from fertiliser products sold by Sinofert amounted to RMB22,951 million (US\$3,296 million) and RMB8,670 million (US\$1,416 million), respectively. A substantial majority of Sinofert sales are made in the PRC.

### *Sales and distribution network in the PRC*

Sinofert sells products to customers in the PRC both through its own distribution and sales network and through independent distributors in areas where Sinofert considers not economical to extend its network. Sinofert believes that it has the largest distribution network in China, which comprised over 40,000 sales points across China as at 30 June 2020.

### *Inventory*

Sinofert maintains a logistics network consisting of warehouses, its own distribution centres and independent distribution centres in substantially all of China's agricultural regions. Fertiliser prices have historically fluctuated greatly, which has resulted in high inventory costs in periods of declining prices, such as in 2009 and in 2017. In 2018, the market conditions for fertiliser was improved and the fertiliser prices increased accordingly. Meanwhile, the cost of the raw materials and transportation also rose. Sinofert has instituted measures to mitigate such inventory risk, including increasing pricing adjustment frequency, better matching the volume and pricing terms of its suppliers and customers and building in price adjustment mechanisms in its contracts with customers to share price increase risks.

As at 30 June 2020, the inventories balance of Sinofert amounted to RMB4,196 million (US\$594 million), decreased by RMB1,179 million or 21.9% from RMB5,375 million as at 31 December 2019. The inventory turnover days in 2019 was 94 days, the same as that in 2018. The inventory turnover days for the six months ended 30 June 2020 was 75 days.

### *Pricing*

The ex-factory, wholesale and retail sale prices of domestically produced fertiliser products as well as the port delivery prices of imported fertilisers (other than potash-based fertilisers) are adjusted according to market conditions. The PRC government has relieved various temporary restrictions on the pricing of fertiliser products such as the prior application for increasing prices, filing for price changes, limitation on the highest prices and control on distribution prices. In addition, the benchmark port delivery price of potash-based fertilisers may be determined by fertiliser enterprises in accordance with the regulations promulgated by the PRC government. Fertiliser importers may also determine the applicable port delivery price by reference to a benchmark port delivery price with an upward floating

range up to 3% but without limitation on downward float. The ex-factory price of domestically produced potash-based fertilisers and selling price of border trade imported potash-based fertilisers remain subject to adjustment by the market.

Minimum price ranges are set regularly in accordance with market demand and supply. Sinofert sets a minimum for its products and the minimum price range is then followed by Sinofert's branch companies and sales centres.

### *Customers*

Sinofert's customers include wholesale customers such as large agricultural companies as well as small fertiliser distributors and retailers. For each of the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, the five largest customers of Sinofert accounted for no more than 15.0%, respectively, of Sinofert revenues.

Sinofert maintains credit policies to minimize bad debts. The total amount of credit given to customers at any time may not exceed an amount capped by its internal risk management department. In addition, the risk management department of Sinofert internally assesses the credit rating of its customers and the respective credit policies are adjusted accordingly. For example, different customers are subject to different advance payment requirements or accounting periods.

### *Marketing*

Sinofert's marketing department is responsible for procuring sales orders, maintaining customer relationships, conducting market research, organising marketing events and formulating sales and marketing strategies. Sinofert also offers a series of agrichemical services directly to farmers, including expert lectures and seminars, town fair gatherings and promotions for formula fertilisation based on soil testing. These activities help to enhance farmers' knowledge of scientific fertilisation and techniques, which in turn promote sales of Sinofert's products and Sinofert's brand image.

### ***Sinochem Group's Agrochemicals and Seeds Businesses***

Sinofert's fertiliser products are a core component of Sinochem Group's agricultural business segment, which also includes an agrochemicals and seeds business.

### **Real Estate**

The Company's real estate business are property development and hotel operations, which are conducted by China Jinmao and Jinmao, respectively.

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Company's real estate segment accounted for 60.0%, 65.1%, 99.0% and 98.9%, respectively, of its revenue.

### ***Property Development***

Sinochem Group is one of the SOEs approved by the SASAC to engage in property development and hospitality as principal businesses. Its property development and hospitality business is conducted through China Jinmao, which is 35.03%-owned by the Company as at 30 June 2020, and its subsidiaries. As at 31 August 2020, the Company owned approximately 35.15% of the equity interest of China Jinmao, the change in ownership is due to certain placing and subscription transactions. For further information, see "Recent Developments — Placing of Existing Shares and Subscription of New Shares of China Jinmao." China Jinmao is a developer and operator of large-scale and high-end commercial real estate projects and also engages in hospitality and commercial leasing and retail operations in major cities and popular vacation destinations in the PRC. Since September 2015, China Jinmao has upgraded its "two-wheel driven" operating strategy where China Jinmao further focused on the two wings of "finance and services" in addition to its existing "two-wheel driven" strategy of

“development and holding”, with a view to transforming itself from a property developer to an integrated developer and operator. China Jinmao owns or has developed several top quality projects in Beijing, Shanghai, Shenzhen, Sanya, Nanjing, Suzhou, Zhuhai and Lijiang, including landmark projects such as Beijing’s Chemsunny World Trade Centre and Nanjing’s Nanjing International Centre. As at 30 June 2020, China Jinmao’s land bank included (i) property development projects and property development projects with an area yet to be delivered of approximately 88,399,265 sq.m., (ii) an aggregate GFA of 792,075 sq.m. of investment properties in China Jinmao’s commercial leasing and retail operations business and (iii) a total of 3,968 rooms occupying an aggregate GFA of 637,191 sq.m. in China Jinmao’s ten hotel properties.

The following table sets forth the approximate total GFA of the three business lines, which includes (i) city operations and property development, (ii) commercial leasing and retail operations and (iii) hotel operations, of China Jinmao as at the date indicated:

	As at 31 December		As at 30 June	
	2018	2019	2019	2020
	(sq.m.)			
Total GFA . . . . .	<u>68,808,481</u>	<u>85,850,858</u>	<u>77,688,481</u>	<u>89,828,531</u>

*Revenue by business lines*

The following table sets forth China Jinmao’s revenue by business lines:

	For the years ended 31 December				For the six months ended 30 June			
	2018		2019		2019		2020	
	RMB (million)	%	RMB (million)	%	RMB (million)	%	RMB (million)	%
City operations and property development . . .	33,734	87	37,721	87	12,181	82	9,925	82
Commercial leasing and retail operations . . . . .	1,450	4	1,447	3	732	5	695	6
Hotel operations . . . . .	2,048	5	1,967	5	975	7	377	3
Others . . . . .	<u>1,501</u>	<u>4</u>	<u>2,221</u>	<u>5</u>	<u>854</u>	<u>6</u>	<u>1,100</u>	<u>9</u>
Total <sup>(1)</sup> . . . . .	<u>38,733</u>	<u>100</u>	<u>43,356</u>	<u>100</u>	<u>14,742</u>	<u>100</u>	<u>12,097</u>	<u>100</u>

(1) Casting differences may be incurred as each figure of the line item displayed in the consolidated financial statements was rounded directly.

In August 2007, China Jinmao was listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 817) and is now one of the component stocks of the Hong Kong Hang Seng Composite Index. Further information about China Jinmao is available in its public filings with the Hong Kong Stock Exchange ([www.hkex.com.hk/eng/](http://www.hkex.com.hk/eng/)). Information contained on the Hong Kong Stock Exchange’s website does not constitute part of this Offering Circular.

China Jinmao’s sales revenue from its city operations and property development business for the year ended 31 December 2019 and the six months ended 30 June 2019 and 2020 was RMB37,721 million (US\$5,418 million), RMB12,181 million and RMB9,925 million (US\$1,405 million), respectively.

## *Property Development*

### *Overview*

China Jinmao is committed to developing high-end commercial real estate projects at prime locations in major cities and popular vacation destinations in China. Recent projects, such as the Beijing Chemsunny World Trade Centre, have been designed based on principles of efficiency, environmental protection and energy conservation.

As at 30 June 2020, China Jinmao was engaged in 159 major city operations and property development projects at different stages of development at sites located in Beijing, Shanghai, Suzhou, Hangzhou, Guangzhou, Changsha, Qingdao, Lijiang, Chongqing, Nanjing, Changshu, Ningbo, Tianjin, Foshan, Shenzhen, Zhengzhou, Wuhan, Hefei, Xuzhou, Kunming, Dongguan, Quanzhou, Changzhou, Nantong, Zhuzhou, Kaifeng, Huzhou, Shaoxing, Taizhou, Guiyang, Jinan, Fuzhou, Wenzhou, Zhengzhou, Chengdu, Nanchang, Zhangjiakou, Baoding, Jinhua, Sanya, Shantou, Weihai, Weifang, Yueyang, Zhuhai, Xiamen, Jiaxing, Xi'an, Taiyuan, Yantai and Wuxi.

In addition, in 2019, China Jinmao won the bid for the land use rights to 35 parcels of land located in major cities and provinces including Beijing, Suzhou, Chengdu and Chongqing. Furthermore, in 2018, China Jinmao acquired several parcels of land, each located in Shaanxi Province, Hubei Province, Fujian Province, Guangdong Province, Hubei Province and Jiangsu Province, respectively, in China. In 2019, China Jinmao acquired a number of quality land parcels in various locations, including Wenzhou, Zhangjiagang, Nanjing, Changsha, Shantou, Weifang, Yiwu, Qingdao, Chongqing, Baoding, Beijing, Weihai, Hefei, Fuzhou, Hangzhou, Zhengzhou, Nanchang and Guiyang. In the first six months of 2020, China Jinmao successfully obtained 21 land parcels, including land parcels Nos. P(2020) 011 and P(2020) 012 of Wuhan Fangdao Smart Science City Projects; Domestic Investment Block (fourth batch of land parcels) in China-Europe International City, Qingdao; Fuzhou Binhai Jinmao Smart Science City Project (second batch of land parcels); the land parcel No. Jin Dong Li Yue (Gua) 2020-005 of Tianjin Shandong Smart Science City Project. The total GFA of the projects acquired by China Jinmao in the six months ended 30 June 2020 amounted to approximately 5.83 million sq.m..

### *City Development*

The following description sets out certain information for some of our city development projects:

*Changsha Meixi Lake International New City Project.* Located in the core region of the Xiangjiang New District, Changsha City, Hunan Province, this project has a total site area of 7,344,028 sq.m. and is surrounded by the 2 million sq.m. Meixi Lake. The project consists of Changsha Meixi Lake Primary Land Development Project Phase I (Changsha Meixi Phase I) and Changsha Meixi Lake Primary Land Development Project Phase II (Changsha Meixi Phase II).

Phase I of the project has a site area of approximately 2,808,428 sq.m. and a total GFA of approximately 9,402,328 sq.m. Phase II of the project, which is situated west of Phase I, has a total site area of 4,535,600 sq.m. and a total GFA of approximately 12,680,000 sq.m., with Third Ring Road to the east, Yuelu Mountain Xiangbiwo Forest Park and Taohua Ridge Forest Park to the south, Tianlei Road to the north and Yuanjiachong Road North and Yuanjiachong Road South to the west.

The project includes a variety of premium segments including high-end residences, a five-star hotel, Grade 5A office buildings, serviced apartments, a cultural and arts centre and a technology and innovation centre. The project is located in a green and ecological region suitable for residence, business and leisure.

In October 2011, the project completed the transfer of the first batch of land for Changsha Meixi Phase I and the Company will continue to oversee the land and property development. During the first half of 2016, the land parcel No. J-44 in Meixi Lake, Yuelu District of Phase I of the project was sold. In July 2016, the project won the Global Human Settlements Award on Planning and Design by the Global Forum on Human Settlements (“GFHS”). According to the agreement for development for Changsha Meixi Phase II, all of the supply of land for business will be released no later than 31 December 2020.

China Jinmao has acquired a portion of land and also plan to acquire more land within the area of the Changsha Meixi Lake Project to carry out subsequent developments through transfer procedures and develop the project into the high-end international commercial and innovation centre, as well as an ecological new residential town with scenic landscape in the central region. China Jinmao holds a 80% interest in the Changsha Meixi Phase I and a 70% interest in Changsha Meixi Phase II.

*Changsha Meixi Lake International New City Land Block A Project.* On 30 October 2012, China Jinmao entered into an agreement with the Management Committee of Dahexi Pilot Zone in Changsha and Changsha Meixi Lake Industrial Co., Ltd., pursuant to which it became a party responsible for the primary land development of Land Block A in the Meixi Lake area. China Jinmao will also jointly invest in and develop the land block, cooperate in the land requisition and reserve, and share the returns on investment in proportion to its investment.

The project has a site area of approximately 276,322 sq.m. and an estimated total gross floor area of approximately 828,966 sq.m. The project is situated at the west of Changsha Meixi Lake International New City Project and is approximately one kilometre from Meixi Lake. The primary operation of Land Block A Project can effectively accelerate the overall development of the Meixi Lake area in compliance with the general requirements of “creating growth models, enhancing inclusivity, displaying new city image and becoming a role model” implemented in the pilot zone, enhancing the overall city image of the Meixi Lake area. China Jinmao holds a 80% interest in the project.

*Nanjing Qinglong Mountain International Ecological New City Project.* The project is located in the downtown area of Dongshan Vice City in Nanjing, adjacent to the Qinglong — Dalian Mountain Range with a total site area of approximately 3,230,000 sq.m. and a total GFA of approximately 3,798,000 million sq.m. The area includes a central business district, quality residences, ancillary public infrastructure and a scenic district.

Its business segments include quality residences, a metropolitan commercial centre, a five-star hotel, office buildings and apartments. The project will be developed into China’s model green new city project, including ecology, technology and culture. China Jinmao holds a 80% interest in the project.

*Qingdao China-Europe International City Project.* The project is situated at Qingdao High-Tech Zone occupying a site area of 1,666,667 sq.m. and a GFA of 4 million sq.m., consisting of a variety of segments from garden villas, aqua front community, high-end apartments, office headquarters and a city plaza. In 2015, the Company won the bids for eight land parcels in the first batch with total GFA of 480,626 sq.m. and won the bids for four land parcels in the second batch with total GFA of 354,644 sq.m. in 2016. China Jinmao holds a 100% interest in the project.

*Lijiang Jinmao Richmond Town Project.* The project is located in Lijiang — the only city with three UNESCO Heritage Sites in China and situated at the heart of the high-end vacation resort area at the foot of Jade Dragon Snow Mountain. The project, having a site area of approximately 570,640 sq.m., has mixed developments and operations including Jinmao Whisper of Jade Dragon, Grant Hyatt Lijiang, Wutong Micro Hotel and Lijiang J-Life. China Jinmao owns a 66.8% interest in Grand Hyatt Lijiang and a 100% interest in other projects located in Lijiang Jinmao Richmond Town.



*Wenzhou Oujiang International New City Project.* The project is located in Wenzhou Oujiangkou Industrial Cluster with Zhuangyuanao Deepwater Port to the east, Wenzhou Longwan International Airport to the south and Wenzhou Economic and Technological Development Zone to the west. The project, having a total GFA of more than 900,000 sq.m., is a large-scale city development in Wenzhou. The project is being developed on the land parcels C-03a, C-03e, C-05a, C-11f and C-11h in Oujiangkou, Wenzhou. China Jinmao owns a 33% interest in land parcels C-03a, C-03e, C-11f and C-11h and a 36% interest in land parcel C-05a. The project is expected to be completed in 2021.

*Wenzhou Rui'An Eco Science City.* The project is located in Jiangnan New Area, south shore of Feiyun River, Rui'an, Zhejiang Province. The project has a total site area of 8.9 million sq.m. and a planned GFA of 9 million sq.m., which consists of both residential portion for 6.8 million sq.m. and the commercial office and public service portion of 2.2 million sq.m.. China Jinmao owns a 16.5% interest in the project.

*Suzhou Zhangjiagang Smart Science City.* The project is located in Zhangjiagang, Jiangsu Province. The entire industrial city has a planned area of approximately 11.4 million sq.m., which connects to the city centre and the “express rail link new city” under planning. The project will be developed into a large-scale comprehensive high-end commercial centre comprising restaurants, retail shops, functions for parents and children, sports and entertainment. China Jinmao owns a 100% interest in the project.

*Ningbo Life Science City.* The project is located in Fang Bridge, Fenghua District in Ningbo, Zhejiang Province. The project has a site area of approximately 4 million sq.m. The project aims to develop a model industry city that comprises four major segments, including the smart industrial innovation, art and culture expo, integrated education and residence as well as high-end medical clusters. Upon completion, the GFA of the entire project will be approximately 4.8 million sq.m.. China Jinmao owns an 80% interest in the project.

*Wuxi Xiake Island Eco City.* The project is located in Xu Xiake Township, Jiangyin City, at the centre of the Shanghai “1+N” cluster of cities in the Yangtze River Delta. The project has a total site area of approximately 6.4 million sq.m. and a total gross floor area of approximately 2.7 million sq.m.. The project contemplates the development of three major segments, namely “One Township, Three Gardens, Six Palaces”, to blend together a diverse range of businesses, a theme park and high-end residences. China Jinmao owns a 49% interest in the project.

*Yueyang Dongting Eco Innovation City.* The project is located in Yueyang Dongfeng Lake New Area and involves the two water systems of Dongfeng Lake and Dongting Lake. It is located in an area closest to Yueyang Tower and Pedestrian Street. The project has a total site area of approximately 520,00 sq.m. and a total gross floor area of approximately 1.3 million sq.m.. The project plans to build the tallest tower in Yueyang — the Jinmao Dongting Pearl Tower with a height of 280 metres, which will accommodate international high-end hotels and Grade 5A offices. China Jinmao owns a 75% interest in the project.

*Fuzhou Binhai Jinmao Smart Science City Project.* The project, located in the core area of the Coastal New City in Fuzhou, has a total site area of approximately 850,000 sq.m. and a total gross floor area of approximately 2 million sq.m.. The project plans to develop a city centre with high-end commercial complexes, Grade 5A office towers, five-star hotels, central park and dual track interchange. On 11 December 2019 and 22 January 2020, China Jinmao acquired “Bin Pai land parcels” No. 2019-5 and No. 2019-7, respectively, indicating that the project has been fully initiated. China Jinmao owns a 100% interest in the project. On 22 January 2020, China Jinmao acquired “Bin Pai land parcel No. 2019-7” for the project.



*Hangzhou Fuyang Qinhong City Complex.* The project is located in the core Fuchun area in the Fuyang district and is adjacent to the Fuchun River. The project has a total site area of approximately 280,000 sq.m. and a total gross floor area of approximately 760,000 sq.m.. The project aims to be a landmark of the city and business district, comprising Grade 5A offices, international 5-star hotels, commercial street zones and high-quality residences. China Jinmao owns a 50% interest in the project.

*Wuhan Fangdao Smart Science City Project.* The project is located in the Sixin Ecological New City in Hanyang District, Wuhan and has a net land area of 627,100 sq.m.. The land is for residential, commercial service, public management and public service use and has a GFA of 1.3 million sq.m.. The project will offer city amenities to a myriad of architectural and building forms such as ultra-high-rise buildings, underground space and municipal combined utility tunnels. A commercial complex under the Jinmao Mall of Splendor will also be established to build an “island of ecology, city of creativity and metropolitan area of fashion”. On 31 March 2020, China Jinmao successfully acquired the land parcels No. P(2020) 011 and No. P(2020) 012 in Hangyang, marking the official initiation of the project. China Jinmao owns a 100% interest in the project.

*Tianjin Shangdong Jinmao Smart Science City Project.* The project is located at the east of the city centre in Tianjin. Leveraging on the Tianjin core business area and various green and leisure elements, China Jinmao plans to build five functional zones, namely the business, smart office, urban park, elite education and ecological residence, and intends to build a smart city complex that integrates Jinmao Mall of Splendor, Jinmao hotels, high-end industries, local and foreign branded education resources and ecological residence. China Jinmao aims to build a new landmark for a leading one-stop shopping experience in Dongli District, Tianjin. On 28 April 2020, China Jinmao successfully acquired the land parcel No. Jin Dong Li Yue (Gua) 2020-005 and all works of the project have proceeded in an orderly manner as scheduled. China Jinmao owns a 100% interest in the project.

*Changshu Smart Science City Project.* The project is located centrally in the new city in southern Changshu surrounding Kuncheng Lake, and has a total land area of 4.33 million sq.m. and a developable area of 2.78 million sq.m.. China Jinmao intends to gradually develop the project into an integrated smart science city comprising “smart innovation, modern business and high-end residence” by adhering to the philosophy of industrial city integration and phased implementation. On 18 May 2020, China Jinmao entered into an official agreement with the government regarding the co-development of the project, and successfully won the bid for the land parcels Nos. Chang Shu Shi Gua [2020] 14 2020A-012, 2020A-013, 2020A-014, 2020A-015 and 2020A-016 on 17 July 2020. China Jinmao owns 54% interest in the project.

#### *Projects under Development*

*Beijing Jinmao Palace Project.* The project is located in Fentai District, Beijing and is the first project launched in Beijing after China Jinmao’s strategic transformation. The project features the lifestyle of the internationalised street blocks of Manhattan, New York and creates a 1,000-step accessible multi-dimensional metropolitan eco-circle of Jinmao, covering eight areas such as medical, senior care, academics, retail (clubhouse), city park, metro and neighborhood space. The project has a GFA of approximately 220,404 sq.m. and is expected to be completed in 2020. China Jinmao owns a 49% interest in the project.

*Beijing Yizhuang Jinmao Noble Manor Project.* The project is located in Beijing Economic and Technological Development Area, Beijing. It is another brand new noble manor series product of China Jinmao in Beijing and features a two-level new courtyard city villa, which is the first villa product in Beijing integrating the technology system of constant temperature, humidity, and oxygen into the villas and the courtyards. The project is being developed on the land parcel X87 with a GFA of approximately 259,234 sq.m. and X91 with a GFA of approximately 299,688 sq.m., and is expected to be completed in 2020. China Jinmao owns a 51% interest in parcel X87 and a 100% interest in parcel X91.

*Beijing Fengtai Jinmao Plaza Project.* The project is located in Fentai District, Beijing. The project aims to create three major property categories comprising LEED Gold high-end headquarters office premises, iterative operation smart business space and trendy and artistic retail street. The project has a GFA of approximately 177,662 sq.m. and is expected to be completed in 2020. China Jinmao owns a 44.1% interest in the project.

*Beijing Daxing Jinmao Residence Project.* The project is located in Daxing District, Beijing. The project aims to create a high-quality and high-tech smart community. The project has a GFA of approximately 161,451 sq.m. and is expected to be completed in 2021. China Jinmao owns a 100% interest in the project.

*Changsha Meixi Lake Jinmao Harbour Project.* The project is located in Xingjiang New District, Changsha, Hunan Province. The project comprises a variety of segments including quality residence, lakefront business parks and loft apartments with integrated functions ranging from leisure, culture, entertainment to business. The project has a GFA of approximately 498,605 sq.m. and is expected to be completed in 2022. China Jinmao owns a 50% interest in the project.

*Hangzhou Binjiang Jinmao Place Project.* The project is located in Binjiang District, Hangzhou, Zhejiang Province. The project is being developed to be a high-end international residential property. The project has a GFA of approximately 248,371 sq.m. and is expected to be completed in 2020. China Jinmao owns a 50% interest in the project.

*Cinda & Jinmao — Tianhe Jinmao Plaza Project.* The project is located in the north of Tianhe, Guangzhou Province. The project features a comprehensive range of facilities in the surrounding regions. The project represents a landmark business complex of China Jinmao as a leading quality property developer in the southern area of China. The project has a GFA of approximately 329,040 sq.m. and is expected to be completed in 2020. China Jinmao owns a 40% interest in the project.

*Tianjin Haihe Jinmao Palace Project.* The project is located in Hedong District, Tianjin. The project features both commercial units and residential units, and utilises 12 major technology systems to create a motion-sensored and high-tech luxury residence experience. The project has a GFA of approximately 407,313 sq.m. and is expected to be completed in 2020. China Jinmao owns a 100% interest in the project.

*Wuxi Lihu Jinmao Palace Project.* The project is located in Binhu District, Wuxi, Jiangsu Province. The project is being built upon the world-class natural landscape of Lihu surrounded by a number of inner ring expressways connecting to various regions of Wuxi in approximately 15 minutes. The project has a GFA of approximately 440,071 sq.m. and is expected to be completed in 2020. China Jinmao owns a 49% interest in the project.

*Fuzhou Gulou Jinmao Palace Project.* The project is located in Gulou District, Fuzhou, Fujian Province. The project is being built on a rare parcel of land in the main city area for low-density development. The project has a GFA of approximately 342,735 sq.m. and is expected to be completed in 2021. China Jinmao owns a 40% interest in the project.

*Ningbo Yaojiang Jinmao Palace Project.* The project is located in Yaojiang New City, Jiangbei District, Ningbo, Zhejiang Province. The project is the only low-density and high-tech luxury residential property in Yaojiang New City, Ningbo. The project has a GFA of approximately 232,771 sq.m. and is expected to be completed in 2020. China Jinmao owns a 49% interest in the project.

*Zhuzhou Jinmao Residence Project.* The project is located in Shifeng District, Zhuzhou, Hunan Province. The project features high-quality residence, exquisite townhouses and favourably located retail shops. The project has a GFA of approximately 646,025 sq.m. and is expected to be completed in 2022. China Jinmao owns a 100% interest in the project.

*Wujiaba Jinmao Plaza Project.* The project is located in Guangdu District, Kunming, Yunnan Province. The project mainly comprises residential properties, apartments and commercial properties. The overall planning makes reference to the ancient city culture and features the natural scenery of mountains and waters of the colourful Yunnan Province. The project has a GFA of approximately 271,108 sq.m. and is expected to be completed in 2021. China Jinmao owns a 50% interest in the project.

*Quanzhou Tan Residence Project.* The project is located in Taiwanese Investment Zone, Quanzhou, Fujian Province. It comprises three major products including high-rise units, commercial villas and retail stores. The project has a GFA of approximately 589,908 sq.m. and is expected to be completed in 2021. China Jinmao owns a 50% interest in the project.

*Qingxi Jinmao Noble Manor Project.* The project is located in Qingxi Town, Dongguan, Guangdong Province. It will be developed into a high-quality and low-density community including villas and high-rise units. The project has a GFA of approximately 54,793 sq.m. and is expected to be completed in 2020. China Jinmao owns a 100% interest in the project.

*Guangzhou Nansha Jinmao Harbour Project.* China Jinmao won the bid for Guangzhou Nansha Jin Mao Bay Project at the end of September 2013. This project has a total site area of 243,400 sq.m. and a total GFA of 778,652 sq.m. The project comprises a five-star hotel, Grade A offices, the Hong Kong-Guangdong commercial centre, seaview apartments, waterfront townhouses and residences. The project is expected to be completed in 2020. China Jinmao holds a 90% interest in the project.

*Xuzhou Chuhe Jinmao Palace Project.* The project is located in Tongshan District, Xuzhou, Jiangsu Province. It is envisioned to be developed into the core segment of high-end customer cluster in Xuzhou. The project has a GFA of 75,210 sq.m. and is expected to be completed in 2020. China Jinmao owns a 100% interest in the project.

*Shanghai Hongqiao • Jinmao Residence Project.* The project is located in Qingpu District, Shanghai. The project features luxury residential property with a reasonable layout, comprehensive functions and convenient transportation. The project has a GFA of 208,824 sq.m. and is expected to be completed in 2021. China Jinmao owns a 100% interest in the project.

*Chongqing Jinmao International Ecological New City Project.* The land parcel is located at the northwestern corner of the Central Park of Konggang in the Yubei District, Chongqing. In October 2014, a consortium comprising China Jinmao and Dingxin Changcheng won the bid for the land parcel of the Chongqing Konggang Project. This project has a total site area of 217,221 sq.m. and a total GFA of 825,666 sq.m.. The land usage of the land parcel includes Class 2 residential land, retail land and office land. This project is expected to be completed in 2021. China Jinmao holds a 72.8% interest in this project.

*Qingdao China-Europe International City Project.* The project forms part of the Qingdao National High-Tech Industrial Development Zone in Shandong Province, which is located at the “geometric centre” of Qingdao and the core region of Qingdao’s North Shore New Town. In January 2015, China Jinmao won the bid for eight land parcels in the core region of the software technology city in the Qingdao High-Tech Zone. This project integrates the elements of the city, sectors and eco-environment and comprises a variety of segments from garden villas, aqua front community, exclusive apartments and office headquarters to city plaza, which will be developed into a diversified

internationalised community featuring ecology and intelligence. By the end of 2016, two batches of land parcels of this project were acquired. The first batch of land parcels of this project has a total site area of 277,586 sq.m. and a total GFA of 480,626 sq.m.. The second batch of land parcels of this project has a total site area of 141,597 sq.m. and a total GFA of 354,644 sq.m.. Development of the first batch land parcels of this project was completed in 2018. Development of the second batch land parcels of this project is expected to be completed in 2021. China Jinmao holds a 100% interest in this project.

*Nanjing Xuanwu Lake Jinmao Plaza Project Phase II.* This project has a total site area of 18,068 sq.m. and an estimated total GFA of 227,300 sq.m.. This project consists of a planned 285-meter high multi-functional commercial complex comprising a 70-story main tower and an eight-story podium. The planned GFA above ground is 197,300 sq.m.. The podium will be designed to contain a shopping mall, and hotel conference rooms at the main tower will be designed to contain offices, hotel serviced apartments and a luxury hotel. The project is expected to be completed in 2024. China Jinmao holds a 95.8% interest in the project.

*Changsha • Jinmao Tower.* In December 2014, China Jinmao won the bid for the land parcel of this project, which has a total site area of approximately 18,543 sq.m. and an estimated total GFA of approximately 191,264 sq.m.. This project comprised of high-rise Grade A offices and commercial podium. It is intended to be developed into a high-rise landmark building in Xiangjiang New District of Dahexi, Changsha City. This project is expected to be completed in 2024. China Jinmao holds a 100% interest in the project.

*Beijing Taihu • Jinmao Residence Project.* The project is located in Tongzhou District, within the sub-city centre of Beijing and approximately 17 k.m. from China World Trade Center. China Jinmao aims to feature healthcare technology, luxury residences, and childcare development within this project to create an all-rounded and high quality residential project. During the six months ended 30 June 2020, the project has on three occasions ranked first in terms of sales volume for residential properties in Tongzhou. The project is expected to be completed in 2021. China Jinmao owns a 20% interest in the project.

*Jinan Jinmao Lushang Travelling Route • Jinmao Palace Project.* The project is located along the main axis of the eastern city in Jinan and is surrounded by the city's two main commuting routes, namely, Jingshi Road and Travelling route, and is at the junction of three major city development high grounds, namely, pilot free trade zone, innovation corridor, and integrated bonded area. The project has a total area of approximately 1 million sq.m. and encompasses high-end commercial clusters, re known schools and various urban and cultural facilities. During the six months ended 30 June 2020, the project has launched five times with successful sales each time, and has become one of the best-selling property projects in Jinan. The project is expected to be completed in 2023. China Jinmao owns a 28% interest in the project.

*Xuzhou Red Star • Yunlong Jinmao Residence Project.* The project is located at the junction of Heping Road and Third Ring East Road, at the prime location on Heping Road in the eastern part of the city and connecting the new city with the old city areas. It has a total site area of 199,000 sq.m. and a total GFA of approximately 530,000 sq.m.. The landscaping design advocates the concept of a community park, and strives to showcase the elements of mountain, water, garden and woods within a residential complex. The project is expected to be completed in 2022. China Jinmao owns a 40% interest in the project.

*Xuzhou Yunlong Lake Jinmao Palace.* The project is located at the north shore of Yunlong Lake, a Grade 5A tourist attraction in China. It has a total site area of approximately 64,000 sq.m. and a total GFA of approximately 200,000 sq.m.. The project features a five-layered courtyard structure with a deep patio which creates a unique Oriental landscape. The project is expected to be completed in 2022. China Jinmao owns a 49% interest in the project.

*Ningbo Haisu Jinmao Palace.* The project is located within central Haishu District, near the Liyuan South Road Station of Metro Line No.2. There are six parks within the three k.m. vicinity, and it is also surrounded by two rivers. The project features comprehensive ancillary facilities like a large shopping mall, hospital and school. The project is the only development within the Palace series being sold in Ningbo that has received the three-star BREEAM certification from the UK. During the six months ended 30 June 2020, the project was ranked third in terms of the number of units sold, area sold and sales volume for residential properties in Haishu District, Ningbo. The project is expected to be completed in 2021. China Jinmao owns a 33% interest in the project.

*Changsha Seazen Jinmao Dream • Hua Palace.* The project is situated at the green belt in the centre of Meixi Lake and enjoys abundant amenities in the business area in proximity to the Meixi Lake West station of Metro Line No.2 and adjacent to the Yingri Road station of Metro Line No.6. The project is surrounded by landmark buildings of the business area such as the Changsha Jinmao Meixi Lake International Plaza, and enjoys ecological landscape resources including Central Green Axis, Meixi Lake and Xiangbiwo Forest Park, and is also in close proximity to cultural resources like the Culture and Arts Centre and Hunan Library. During the six months ended 30 June 2020, the project has launched twice and was sold out both times. The project is expected to be completed in 2022. China Jinmao owns a 30% interest in the project.

*Kunming Jinmao International New City.* The project is located in Wujiaying segment of Chenggong core area, to the east of Kunming municipal government building. The project inherits the fine craft and quality of “Jinmao” and comprises three major forms of residential properties, including high-rise apartments, residences with panoramic view and spacious courtyard houses. The project is expected to be completed in 2022. China Jinmao owns a 33% interest in the project.

#### *Projects in Planning Stage*

*Shanghai Window Smart Science City.* The project, located in Zhejiang Jiashan Economic and Technological Development Zone, is a “gateway” connecting Jiashan to Shanghai. The project has a total site area of approximately 1.9 million sq.m. and a total gross floor area of approximately 1.8 million sq.m.. The project aims to develop a high-grade, ecological and modern new city with urban facilities, smart manufacturing and industry available. China Jinmao owns a 100% interest in the project. The project is expected to be completed in 2024.

*Zhengzhou Erqi District Mazhai New City.* The project is located within the Erqi District of the main city area of Zhengzhou, in close proximity to West Four Ring Road. The project has a total site area of approximately 5.4 million sq.m. and a total gross floor area of approximately 4.9 million sq.m.. China Jinmao and Yicheng Holdings will jointly develop the project, leveraging on the advantages of good location and the rich ecological resources of the Mazhai New City Project. China Jinmao owns a 29.7% interest in the project. The project is expected to be completed in 2025.

#### *Completed Projects*

*Guangzhou Zhujiang Jinmao Palace Project.* The project is situated at the west of Fangcun Avenue South in Liwan District, Guangzhou City. This project has a total site area of 47,367 sq.m. and a total GFA of 314,321 sq.m.. This project was completed in 2019. China Jinmao holds a 50% interest in the project.

*Suzhou Gusu Jinmao Palace Project.* In December 2012, China Jinmao secured the project on Jinmen Road in Suzhou. This project has a total site area of 86,018 sq.m. and a total GFA of 342,422 sq.m. China Jinmao intends to develop the project into a high-end residential project under the “Jin Mao” brand. Currently, all construction works are conducted on schedule. This project was completed in 2018. China Jinmao holds a 100% interest in this project.



*Beijing Yizhuang Jinmao Residence Project.* The project is located at the central residential area of Yizhuang, Beijing. The three-dimensional transportation network around the project consists of three horizontal and five vertical three-lane roads, allowing convenient access to major areas of the city.

The project has a total site area of 134,858 sq.m. and an estimated GFA of 414,782 sq.m. This project aims to bring highly-comfortable, low-energy-cost and green concepts to residents, creating a comfortable living environment for them. China Jinmao holds a 100% interest in the project. The project was completed in 2017.

*Ningbo Nantang Jinmao Palace Project.* In September 2013, China Jinmao acquired the project in Haishu District, the central area of Ningbo, adjacent to the north side of Fenghua River and the south side of Nantang Ancient Street. The project has a total site area of 62,458 sq.m. and a total GFA of 225,160 sq.m.

The project is surrounded by deep cultural heritage, rich landscape resources and a wide range of commercial, living, educational and medical facilities. The project includes high-rise residential buildings, low-rise villas and commercial buildings along the streets. China Jinmao owns a 100% interest in the project. This project was completed in 2017.

*Chongqing Panlong Jinmao Residence Project.* In December 2013, China Jinmao acquired the project located in the centre of Panlong Area, Jiulongpo District, Chongqing, which is surrounded by various educational, medical and living facilities.

The project has a total site area of 47,036 sq.m. and a total GFA of 300,000 sq.m. The project features high-end design, quality and utilities and provides high quality and comfortable residential properties to its residents. China Jinmao owns a 100% interest in the project. This project was completed in 2017.

*Changsha Meixi Lake Jinmao Plaza Project.* The project is located at the core region of Xiangjiang New District, Hunan Province. It features a high-end and large-scale city complex consisting of a five-star hotel, a shopping mall, Grade A office premises and residences. The project has a GFA of approximately 750,827 sq.m.. China Jinmao owns a 100% interest in the project. The project was completed in 2019.

*Changsha Meixi Lake International R&D Centre.* China Jinmao owns a 80% interest in the project. For details, please see “— Commercial Leasing and Retail Operations — Investment properties — Office buildings”.

For information on Beijing Chemsunny World Trade Centre and Nanjing Xuanwu Lake Jinmao Plaza Project Phase I (including hotel), see “— Commercial Leasing and Retail Operations — Investment properties — Office buildings”.

### *Commercial Leasing and Retail Operations*

#### *Overview*

China Jinmao engages in the leasing of commercial properties, office buildings and retail premises. Its major investment properties include the Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, the Jin Mao Tower in Shanghai, the Nanjing Xuanwu Lake Jin Mao Plaza Phase I in Nanjing and the Changsha Meixi Lake International R&D Centre in Changsha. As at 30 June 2020, all five of these properties recorded full or nearly full occupancy rates. China Jinmao’s strategy is to retain properties with high investment values for rental income to provide cash flows.

In 2019, total revenue from China Jinmao's commercial leasing and retail operations amounted to RMB1,447 million, representing a decrease of 0.2% over that of the previous year. In the six months ended 30 June 2020, total revenue from China Jinmao's commercial leasing and retail operations amounted to RMB695 million, representing a decrease of 5.1% over the same period in the previous year.

#### *Investment properties — Office buildings*

*Beijing Chemsunny World Trade Centre.* This property consists of three parallel and interconnected 14-story office buildings, with a total GFA of 194,530 sq.m. Construction commenced in April 2004, and the principal exterior construction was completed in December 2006. The Central and West Towers and some floors in the East Tower of Beijing Chemsunny World Trade Centre are long-term investments and are held for lease, and the majority of floors in the East Tower have been sold.

China Jinmao holds a 100% interest in the retained portions of the project. As at 30 June 2020, the occupancy rate of the Beijing Chemsunny World Trade Centre was 100%. The primary tenants of this property are Sinochem Group and its affiliates, and leading companies in other industries, including finance and consulting.

*Sinochem Tower.* The 26-story Sinochem Tower in Beijing has a total GFA of 49,066 sq.m. China Jinmao holds a 100% interest in the property. During 2016, the tenant structure of the property continued to improve and the quality of the building was enhanced with an increase in average rental level over that in 2015. As at 30 June 2020, the occupancy rate of the Sinochem Tower was 100.0%. The principal tenants are prominent enterprises in the finance, software and consulting industries and companies related to Sinochem Group.

*Jin Mao Tower.* The Jin Mao Tower in Shanghai is one of China's landmark buildings. The 88-story tower has a total GFA of 292,475 sq.m. and houses both office space and the luxury Grand Hyatt Shanghai Hotel. China Jinmao owns a 66.77% interest in this property.

The 3rd through 50th floors are made up of Grade A offices, and the leasable office area has an aggregate GFA of 122,131 sq.m., whereas the 53rd to 87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. The primary tenants are Fortune 500 companies, Forbes 2000 companies and companies related to Sinochem Group. As at 30 June 2020, the occupancy rate of the offices in Jin Mao Tower was 92.4%.

*Nanjing Xuanwu Lake Jinmao Plaza — office portion.* Situated in Gulou District, Nanjing, this project occupies a site area of 37,920 sq.m. and an estimated total GFA of 453,146 sq.m. China Jinmao acquired the project in February 2013. The project consists of one high-rise Main Tower, North Tower and South Tower as well as an eight-story podium. China Jinmao developed the project in two phases. Construction of Phase I was completed and operation commenced in March 2011.

The leasing business of Nanjing International Centre includes offices in the South Tower of Phase I and a shopping mall in the podium of Phase I. The offices have a total rentable area of 14,012 sq.m. As at 30 June 2020, the occupancy rate for the office portion of Phase I was 95.4%. The shopping mall has a total GFA of 86,009 sq.m. and commenced operations in July 2011. The Company holds a 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing Xuanwu Lake Jinmao Plaza Phases I and II.

*Changsha Meixi Lake International R&D Centre.* Located in Dahexi Pilot Zone, Changsha, this project is positioned as a villa-type R&D office building and high-rise office building project with a site area of approximately 46,353 sq.m. and an estimated total GFA of approximately 132,856 sq.m. China Jinmao acquired the project in October 2012 and hold a 80% interest in the project.



Phase I consists of a villa-type R&D office building, with leasing and sales completed in 2013. Phase II consists of a high-rise office building, with leasing and sales completed in 2016. As at 30 June 2020, the occupancy rate of the Changsha Meixi Lake International R&D Centre was 100.0%.

#### *Investment properties — Retail premises*

*Lijiang J-Life.* Located inside the complex of Lijiang Jinmao Whisper of Jade Dragon Project, this is a high-end tourist resort and commercial flagship project, with a GFA of approximately 21,893 sq.m. Lijiang J-Life aims to offer a high-quality, rich experience and one-stop ancillary living services for domestic and overseas tourists to create a comprehensive resort experience. Phase I of the retail portion officially launched on 28 December 2014, and houses international cuisines and high-end retail shopping. China Jinmao holds a 100% interest in the property.

*Shanghai J-Life.* Constructed on a GFA of approximately 35,659 sq.m. and located in the podium building of Jin Mao Tower. The Shanghai J-Life houses many flagship stores of many brands in the retail sector, private nursing services, financial services, retailing services and Chinese and western catering services.

*Sanya J-Life.* Situated in The Ritz-Carlton, Sanya, the Sanya J-Life has a leasable area of approximately 667 sq.m., housing a number of flagship stores of renowned brands.

*Nanjing Jin Mao Place.* The Nanjing Jin Mao Place is situated on the first to eighth floors of the Podium in Phase 1 of the Nanjing Xuanwu Lake Jin Mao Plaza and has a GFA of approximately 86,009 sq.m. In 2014, Nanjing Jin Mao Place commenced renovation and revamp for full-scale upgrade and capacity expansion.

In September 2015, Nanjing Jinmao Place, as the first city-level shopping mall of the Company, held its grand opening, successfully introduced renowned brands including Apple as a tenant and achieved an occupancy rate of over 95% upon opening. The project offers high-end retail establishments, high-end services, international cuisine and family entertainment.

*Changsha Jinmao Mall of Splendor.* This project is the first Mall of Splendor under China Jinmao, and is located in the core region of Meixi Lake. It features an excellent view of Meixi Lake, with Meixi Lake International Culture and Arts Centre to the east and a seamless connection to the Changsha Metro Line No.2. Since its opening, the project has catered to the demographic group of young families and persons in Changsha. The project has a GFA of 141,723 sq.m.. China Jinmao owns a 50% interest in the project.

*Qingdao Jinmao Harbour Shopping Mall.* The project is located at the harbourfront of Jiaozhou, Qingdao, inside the Shinan District, and adjacent to the Qingdao harbour ferry and cross harbour tunnel of Jiaozhou Bay, and is a commercial complex project nearest to the sea in the Qingdao region. The project is integrated with shopping, dining, entertainment and healthcare services to satisfy the demand for a high quality, one-stop and family-based shopping mall from residents in the region. The commercial portion of the project has a GFA of 61,142 sq.m.. China Jinmao owns a 50% interest in the project.

#### *Property Management, Design and Other Ancillary Services*

Through its property management subsidiaries, China Jinmao provides property management services to its customers, including Sinochem Tower and Beijing Chemsunny World Trade Centre.

China Jinmao is also engaged in ancillary businesses such as building decoration, international yacht services and advertising. China Jinmao provides these ancillary services to its customers and also uses these services to complement its core property development, management and leasing businesses.

### *Hotel Operations*

The Company's hotel operations business is conducted through Jinmao and its subsidiaries. Jinmao is a fixed single investment trust listed on the Hong Kong Stock Exchange since 2 July 2014 with a focus on the hospitality industry in the PRC. Jinmao primarily owns and invests in a portfolio of hotels, comprising both completed hotels and hotels under development. Jinmao also owns the Jin Mao Tower, a mixed-use development. It is committed to investing in and operating high-end hotels located in major cities and near popular tourist sites in China.

Further information about Jinmao is available in its public filings with the Hong Kong Stock Exchange ([www.hkex.com.hk/eng/](http://www.hkex.com.hk/eng/)). Information contained on the Hong Kong Stock Exchange's website does not constitute part of this Offering Circular. As at the date of this Offering Circular, China Jinmao owned approximately 66.77% of Jinmao.

As at 30 June 2020, the Company owned 10 hotels in China, located in Beijing, Shanghai, Sanya, Shenzhen, Changsha, Nanjing and Lijiang. Such properties are managed by international hotel management companies. In 2019 and for the six months ended 30 June 2019 and 2020, total revenue from Jinmao's hotel operations segment amounted to RMB1,967 million, RMB975 million and RMB377 million (US\$53.4 million), respectively.

### *Hotel Operations*

*The Westin Beijing, Chaoyang.* The Westin Beijing, Chaoyang hotel opened in June 2008. The 34-story hotel has 550 guest rooms. The hotel is operated and managed by Starwood Hotels & Resorts Management Company and has a total GFA of approximately 77,945 sq.m. Jinmao owns a 100% interest in this hotel.

			Six months ended 30 June	
<u>The Westin Beijing Chaoyang</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
Average occupancy rate . . . . .	82.4%	85.0%	83.3%	19.2%
Average room rate (RMB) . . . . .	1,218	1,123	1,120	1,001

*Renaissance Beijing Wangfujing Hotel (formerly Wangfujing Grand Hotel).* Due to a full-scale renovation, Jinmao Wangfujing Renaissance Hotel suspended operations in 2012 and re-opened in 2014. The 14-story hotel has 329 guest rooms as well as a number of conference rooms, dining and wine outlets and other facilities. The hotel has a total GFA of approximately 44,435 sq.m. The hotel is 100% owned by Jinmao.

			Six months ended 30 June	
<u>Renaissance Beijing Wangfujing Hotel</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
Average occupancy rate . . . . .	88.6%	87.6%	86.1%	21.0%
Average room rate (RMB) . . . . .	968	1,081	1,058	927

*Grand Hyatt Shanghai.* The Grand Hyatt Shanghai opened in 1999. The 35-story hotel has 555 guest rooms. The hotel is operated and managed by Global Hyatt Corporation and has a total GFA of 76,013 sq.m. Jinmao owns a 100% interest in this hotel. Since its opening, the Grand Hyatt Shanghai has hosted, among others, the Fortune Global Forum, the APEC Conference, the Asian Bankers' Annual Conference and Forbes' Global CEO Conference.

Six months ended 30 June

<u>Grand Hyatt Shanghai</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
Average occupancy rate . . . . .	89.4%	89.1%	86.9%	28.3%
Average room rate (RMB) . . . . .	1,411	1,391	1,381	1,152

*Hilton Sanya Yalong Bay Resort & Spa.* Hilton Sanya Yalong Bay Resort & Spa opened in 2006 with 501 guest rooms, suites and villas. The property has a total GFA of 75,208 sq.m. and 400 metres of beachfront. Jinmao owns a 100% interest in this hotel. The hotel is operated and managed by Hilton International Corporation.

<u>Hilton Sanya Yalong Bay Resort &amp; Spa</u>	<u>2018</u>	<u>2019</u>	<u>Six months ended 30 June 2019</u>	<u>2020</u>
Average occupancy rate . . . . .	89.6%	86.1%	83.5%	45.3%
Average room rate (RMB) . . . . .	1,108	982	1,092	935

*The Ritz-Carlton Sanya Yalong Bay.* The Ritz-Carlton Sanya Yalong Bay opened in April 2008 and has 455 guest rooms including luxury suites and villas with private housekeepers and independent swimming pools. The hotel is operated and managed by the Ritz-Carlton Hotel Company and has a total GFA of 83,772 sq.m. Jinmao owns a 100% interest in this hotel.

<u>The Ritz-Carlton Sanya Yalong Bay</u>	<u>2018</u>	<u>2019</u>	<u>Six months ended 30 June 2019</u>	<u>2020</u>
Average occupancy rate . . . . .	62.4%	68.4%	69.3%	36.1%
Average room rate (RMB) . . . . .	2,146	1,748	1,983	2,011

*JW Marriott Shenzhen.* The JW Marriott Shenzhen opened in March 2009 and has 411 guest rooms, a banquet hall for 400 people and five conference rooms equipped with advanced audio-visual technology. The hotel is operated and managed by Marriot Hotel International and has a total GFA of 51,730 sq.m.. Jinmao owns a 100% interest in this hotel.

<u>JW Marriott Shenzhen</u>	<u>2018</u>	<u>2019</u>	<u>Six months ended 30 June 2019</u>	<u>2020</u>
Average occupancy rate . . . . .	84.7%	87.9%	85.0%	38.4%
Average room rate (RMB) . . . . .	1,096	1,050	1,063	833

*Hyatt Regency Chongming.* Hyatt Regency Chongming opened in March 2014 and has 235 guest rooms, restaurants, business meeting rooms, entertainment and a sports gym. The hotel is operated and managed by Starwood Hotels & Resort Management Company and has a total GFA of approximately 48,992 sq.m. Jinmao owns a 100% interest in this hotel.

<u>Hyatt Regency Chongming</u>	<u>2018</u>	<u>2019</u>	<u>Six months ended 30 June 2019</u>	<u>2020</u>
Average occupancy rate . . . . .	54.2%	48.2%	43.6%	46.3%
Average room rate (RMB) . . . . .	724	704	722	601

*Lijiang Jinmao Hotels.* Lijiang Jinmao Hotels (formerly known as Grand Hyatt Lijiang) opened in September 2014 and has 401 guest rooms. The Mountain Lodge of the hotel, which was opened in September 2015, is situated in Ganhaizi, Jade Dragon Snow Mountain. In 2018, Jinmao changed the business model of Grand Hyatt Lijiang from entrusted management to franchised operation, and started separate operations of the urban area and the Mountain Lodge. The hotel has a total GFA of approximately 84,384 sq.m. Jinmao owns a 100% interest in this hotel.

<u>Lijiang Jinmao Hotels</u>	<u>2018</u>	<u>2019</u>	<u>Six months ended 30 June 2019</u>	<u>2020</u>
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Average occupancy rate . . . . .	48.4%	55.8%	51.4%	19.7%
Average room rate (RMB) . . . . .	723	712	669	738

*Westin Nanjing.* The Westin Nanjing opened in 2011. In February 2013, China Jinmao acquired the Nanjing Xuanwu Lake Jinmao Plaza project, hence adding Westin Nanjing. The Westin Nanjing occupies a total of 13 floors with 234 guest rooms, each overlooking Xuanwu Lake and Purple Mountain. The Westin Nanjing is operated and managed by Starwood Hotels & Resorts Worldwide and has a total GFA of 32,514 sq.m. China Jinmao has a 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing Xuanwu Lake Jinmao Plaza Phases I and II. China Jinmao completed the acquisition of the remaining 49% interest in Leading Holding Limited on 15 March 2019. China Jinmao holds 100% interest in Leading Holdings Limited since then.

<u>Westin Nanjing</u>	<u>2018</u>	<u>2019</u>	<u>Six months ended 30 June</u>	
			<u>2019</u>	<u>2020</u>
Average occupancy rate . . . . .	76.2%	80.1%	73.5%	26.2%
Average room rate (RMB) . . . . .	745	763	748	656

*Meixi Lake Hotel, A Luxury Collection Hotel, Changsha.* Meixi Lake Hotel, A Luxury Collection Hotel, Changsha opened in May 2017 and had 304 guest rooms. The hotel has a total GFA of approximately 62,220 sq.m. China Jinmao owns a 100% interest in this hotel.

<u>Meixi Lake Hotel, A Luxury Collection Hotel, Changsha</u>	<u>2018</u>	<u>2019</u>	<u>Six months ended 30 June</u>	
			<u>2019</u>	<u>2020</u>
Average occupancy rate . . . . .	55.2%	65.4%	59.7%	31.1%
Average room rate (RMB) . . . . .	744	736	728	740

#### *Tourism and Other Hotel Operations Ancillary Services*

Jinmao also engages in other hospitality ancillary services such as hotel limousine and car chauffeur services, as well as tourism facility services, which comprise the observation deck on the 88th floor of the Jin Mao Tower, a popular tourist attraction in Shanghai.

#### **Others**

##### *Chemical Products Trading*

The Company's chemical products trading business engages in the purchase and sale of chemical fibre raw materials and plastics through its two subsidiaries, Sinochem International Chemical (Hong Kong) Co., Ltd. and Sinochem International Asia Holdings Limited. In 2019, revenue from chemical products trading accounted for a substantial majority of the revenue of the Company's others segment.

##### *Securities Investments*

The Company's securities investment business invests in PRC companies listed on the Hong Kong Stock Exchange in line with the strategies of the Sinochem Group, including strategically investing in the initial public offerings of PRC companies on the Hong Kong Stock Exchange. The securities investment business also trades securities.

## **Property**

The Company maintains an office at 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Sinochem Group's corporate headquarters are located at Beijing Chemsunny World Trade Centre, 11th Floor, 28 Fu Xing Men Nei Avenue, Beijing, 100031, China.

## **Employees**

As at 30 June 2020, the Company had over 60,000 employees. Employees of the Company and its subsidiaries participate in various basic social insurance plans organised by the Hong Kong government and PRC municipal and provincial governments whereby the Company and its subsidiaries are required to make monthly contributions to these plans at certain rates of the employees' salary as stipulated by relevant local regulations.

Since 2007, the Company and its subsidiaries have not experienced any strikes, work stoppages, labour disputes or actions which affected the operation of any of their respective businesses. The Company believes that it and its subsidiaries maintain good relationships with their respective employees.

## **Risk Management**

As a business engaged in real estate and other operations, the Company is exposed to a variety of risks. The Company's goal in risk management is to ensure that it understands, measures, monitors and mitigates the various risks that arise in connection with its operations. Key risk areas covered by the risk management framework are financial, market, strategic, project, country, operational and health, safety, environmental and other regulatory risks. Sinochem Group and the Company have established an integrated risk management system through which they seek to manage these risks. Policies and guidelines have been developed to identify, analyze, appraise and monitor the changing risks that the Company faces. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

The Company is part of Sinochem Group's overall risk management structure. Sinochem Group has established a three-tier structure to serve as the focal point for leading and coordinating risk management efforts. At the executive level, there is a risk management committee that reports to the management of Sinochem Group. Members of the committee research and formulate Sinochem Group's risk management strategies, monitor and decide on significant risks and allocate key risk resources in line with Sinochem Group's overall risk management strategy. Below the risk management committee is the risk management department, which is responsible for implementing risk management policies, coordinating and supervising risk management for operating departments, setting trading limits, conducting risk stress testing and providing risk management training. Finally, most of the major operating units have separate risk management units operating at the business level to ensure that risks are constantly monitored and assessed. Above this structure sits the SASAC, which sets the guidelines for overall risk management of China's SOEs. Additionally, the Company's Hong Kong Stock Exchange-listed subsidiaries, China Jinmao and Jinmao, maintain their own risk management structures.

*Credit risk.* Credit risk includes risks relating to counterparties, the risk that a contractor will not perform on a contract and the risk of defaults on deposits. The Company has dedicated personnel responsible for determination of credit limits, credit approvals and other monitoring procedures that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. At any time during a given year, the amount of total credit authorised and the net balance of overdue account receivables attributed to the period may not exceed the risk guidelines established for the yearly approved budget.

*Financial risk.* The Company's financial risk management system is intended to control risks relating to capital structure, fund flows, liquidity and financial markets. Sinochem Group has formulated specific risk control measures to prevent or reduce each of the foregoing risks.

*Market risk.* Market risk is the risk of loss arising from changes in the level or volatility of market prices, which in the case of the Company primarily result from changes in the commodity markets, as well as from changes in interest rates and in foreign exchange markets. At any time during a given year, both inventory volume and unused inventory may not exceed the risk threshold established for the budget by the risk management committee.

*Project risk.* With respect to each new project into which it enters, the Company conducts a Project Risk Assessment which is designed to review the potential risks that may arise in connection with that transaction. The assessment will be reviewed prior to moving forward. In addition, the Company conducts a Project Independent Review during the course of each project at critical points in the project timeline, which provides a check to validate the business purpose and viability of the project.

*Country risk.* The Company conducts country risk assessments and in-country risk management to ensure that it has an understanding of the legal, regulatory and operating environment and the political and economic consequences of operating in a particular country, both when initially beginning to work in a particular country and on an ongoing basis.

*Commodities risk.* The Company monitors risks associated with the various commodities it trades. The risk management committee assigns market risk limits to all commodity products, which are administered by the risk management department and operating units. The risk management committee also closely monitors the activities of operating entities that are engaged in hedging activities.

*Operational risk.* The Company defines operational risk as the risk of unscheduled shutdowns of its operations. The Company has instituted operational performance improvement initiatives that aim to enhance operational performance by, among other things, identifying and classifying operational risks and implementing measures to mitigate these risks. The Company also has in place contingency plans and business continuity plans for certain foreseeable emergencies.

*Health, safety, environmental and other regulatory risk.* The Company has put in place a health, safety and environmental ("HSE") and other regulatory risk management system to ensure compliance with laws and regulations, particularly with respect to environmental standards. This system identifies potential risks, provides HSE training to employees, coordinates HSE emergency management, establishes uniform safety standards across the Company and supervises the management of contractors. The Company also closely monitors environmental laws and regulations and seeks to develop and institute strong environmental protection measures.

For 2018 and 2019 and the six months ended 30 June 2020, the Company had not experienced any material incidents with respect to health and safety of its employees that materially and adversely affected its results of operations. For the same periods, the Company was not aware of any material violations of the applicable health, safety and environmental laws that resulted in materially adverse consequences to its results of operations.

## **Insurance**

The Company believes that its insurance coverage is comparable to that of other companies engaged in similar businesses.



With respect to China Jinmao's business, PRC laws, regulations and government rules do not require property developers to purchase insurance policies for real estate developments. However, China Jinmao maintains insurance for destruction of or damage to its property developments, whether they are under development or have been completed and are pending delivery. China Jinmao also insures against additional liability for personal injuries that may occur to its employees and third parties during the construction of its property developments, other than workers engaged by construction contractors who are required to maintain accident insurance for their construction workers pursuant to PRC law.

With respect to Jinmao's business, the hotel management companies are responsible for procuring and maintaining adequate public liability and indemnity and property insurance in connection with repairs, changes and replacements as well as property all-risk (including building and contents) insurance and business interruption insurance. The Jin Mao Tower is insured by Jinmao to industry standards and the policies include property, public liability, business interruption, cash and employee liability insurance.

### **Intellectual Property and Research and Development**

The Company's general policy is to seek intellectual property protection for those inventions and improvements likely to be utilised by its activities or to give it a competitive advantage. The Company relies on a variety of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance its competitive position. The Company's principal brand names, including "Sinochem", are registered trademarks in China. Sinochem Group allows the Company to use the "Sinochem" brand.

As at 30 June 2020, the Company and its subsidiaries held 2,704 patents. To the best of the Company's knowledge and belief, there is no individual property right or related group of intellectual property rights that is of such importance that its expiration or termination would have a material adverse effect on the business of the Company.

### **Legal Proceedings**

The Company and its subsidiaries are party to various legal proceedings in the ordinary course of business. Although the Company cannot predict the outcome of these matters, to the best of the Company's knowledge and belief, there is no proceeding, if determined adversely against it, to have a material adverse effect on its consolidated financial position and results of operations.

### **Regulatory**

The Company's businesses are subject to numerous international, national, regional and local governmental regulations. See "Summary of Relevant PRC Laws and Regulations".

### **Environmental Matters**

#### ***Fertiliser***

Sewage, exhaust gas and solid waste are discharged and noise is created during the production process of fertiliser products. According to PRC environmental laws and regulations, fertiliser producers in the PRC must comply with environmental laws and regulations stipulated by national and local environmental protection bureaus.

Companies are required to carry out environmental impact studies before the commencement of construction to ensure that production processes meet required PRC environmental standards.



To ensure compliance with relevant laws and regulations on environmental protection, Sinofer has implemented measures to monitor wastewater, exhaust gas or solid waste and to treat such waste before discharge at its production facilities.

### ***Real Estate***

#### ***Property Development***

China Jinmao is subject to PRC national and local environmental laws and regulations governing air pollution, noise emissions, water and waste discharge and other environmental matters. Major environmental laws and regulations to which it is subject include the Regulations on the Administration of Environmental Protection of Construction Projects, Measures for the Interim and Ex-post supervision of Environmental Protection of Construction Projects and the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects.

China Jinmao's property developments must undergo environmental assessments and China Jinmao must submit environmental impact study reports to the relevant government authorities before approval is granted for the development of the property. The environmental impact study reports include various standards and procedures that China Jinmao must comply with during the compliance period of each of its projects. Upon completion of a property development, the government authorities will inspect the site to ensure China Jinmao's compliance with applicable environmental standards. The inspection report is presented together with other specified documents to the local construction administration authorities for their record. China Jinmao's project development department is in charge of coordinating the preparation of the environmental impact study reports by qualified environmental assessment agencies and the governmental inspection and acceptance by the relevant government authorities.

#### ***Hotel Operations***

Jinmao's operations are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control and noise control.

### ***Chemical Trading***

The Company's chemical trading business is subject to PRC national and local environmental laws and regulations governing toxic and hazardous chemicals and other environmental matters. Major environmental laws and regulations to which it is subject include the Convention on International Prior Informed Consent Procedure for Certain Trade Hazardous Chemicals and Pesticides in International Trade Rotterdam, the Regulation on the Environmental Management of the First- Time Import of Chemicals and Import and Export of Toxic Chemicals, the Announcement on Adjusting the Catalogue of Prohibited Commodities in Processing Trade and the Regulations on Safety Management of Hazardous Chemicals.

Before selling chemicals in the PRC, the Company undertakes an internal environmental assessment and checks against the latest prohibited catalogue.

## RELATED PARTY TRANSACTIONS

It is the Company's policy to conduct its related party transactions on normal commercial terms and on an arm's-length basis.

For details of significant related party transactions, see note 21 to the interim consolidated financial statements for the six months ended 30 June 2020 included elsewhere in this Offering Circular. For further discussion of the dependence of the Company on Sinochem Group, see "Risk Factors — Risks Relating to the Company — The Company is an integral part of Sinochem Group's business and its business operations are currently managed by Sinochem Group".

As a core member of Sinochem Group, the Company and its subsidiaries and affiliates engage in a broad range of related party transactions with other affiliates of the Sinochem Group of companies. Many of these related party transactions and relationships are material to the operations of the Company, including:

- sales and purchase of fertilisers and sales of chemical products;
- property management and building decoration services; and
- consulting services.

## MANAGEMENT

### Management

Sinochem Group provides the Company with access to strong managerial and personnel support and appoints all of its board members and senior management. The Company's business operations are centrally managed by Sinochem Group and a majority of the Company's senior management is also senior management of Sinochem Group.

Sinofert, China Jinmao and Jinmao have separate boards of directors and management. Further information may be found on the Hong Kong Stock Exchange website ([www.hkex.com.hk/eng/](http://www.hkex.com.hk/eng/)).

The following table sets forth information on the management of the Company as at the date of this Offering Circular, including their positions with Sinochem Group and the Company:

Name	Age	Position
NING Gaoning . . . . .	62	Chairman of Sinochem Group Chairman of the Company Chairman of China Jinmao Holdings Group Limited
YANG Lin . . . . .	57	Chief Financial Officer of Sinochem Group
LIN Yu . . . . .	52	Vice Chairman and General Manager of the Company
QIN Hengde . . . . .	50	Executive Director and Chief Executive Officer of Sinofert

**NING Gaoning** was appointed Chairman of the Board of Sinochem Group in December 2015. Prior to his current post, Mr. Ning was President of China Resources Enterprise Limited, Vice Chairman and President of China Resources (Holdings) Co., Ltd., and Chairman of China Oil & Foodstuffs Corporation (COFCO). With dozens of years' experience in enterprise management, Mr. Ning has a profound insight into corporate strategy, capital operation, management integration, business remodeling, etc. Mr. Ning is a member of the Central Commission for Discipline Inspection of the CPC elected at the 18th CPC National Congress, a member of the "13th Five-Year Plan" National Development Planning Expert Panel, Co-chairman of APEC Business Advisory Council (ABAC), Chairman of APEC China Business Council, and Executive Director of International Chamber of Commerce (ICC). He was awarded CCTV China Economic Person of the Year for 3 times, China's Annual Top 25 Most Influential Business Leader Awards by China Entrepreneur for 10 consecutive years, China's Most Influential Business Leaders by Fortune, Asia Business Leader Awards by CNBC, and Asian Corporate Director by Corporate Governance Asia. Mr. Ning earned his MBA degree from Business School of University of Pittsburgh in the United States. He is a certified senior international business engineer.

**YANG Lin** was appointed Chief Financial Officer of Sinochem Group in August 2010 and Deputy Chief Financial Officer in March 2010. Over the past two decades, Mr. Yang has held various positions in Sinochem Group including Deputy General Manager of Finance Department and General Manager of Treasury Department. Mr. Yang has extensive experience in financial management, investment strategy, treasury management, corporate financing as well as merger and acquisition. Currently, Mr. Yang is also Director of the Budget and Evaluation Committee of Sinochem Corporation as well as Chairman of China Foreign Economy and Trade Trust Co., Ltd. and Sinochem Finance Co., Ltd. Mr. Yang is also in charge of Sinochem Group's financial affairs in Hong Kong. Mr. Yang graduated from Tianjin University of Commerce, majoring in business and corporate management. Between 1990 and 1993, he took the advanced courses on corporate management at University of Stuttgart in Germany.

**LIN Yu** was appointed Director of the Company in June 2018. Ms. Lin joined Sinochem Group in 1990 and held a number of senior positions in the accounting and finance department of certain subsidiaries of Sinochem Group. Ms. Lin obtained a Bachelor's degree in Accounting and an EMBA degree from Xiamen University in 1990 and 2007, respectively. Ms. Lin is a chartered certified accountant.

**QIN Hengde** was appointed Director and Chief Executive Officer of Sinochem Group in December 2016. Prior to this position, Mr. Qin was General Manager of Sinochem International Corporation, Vice General Manager of the Investment Management of Delong International Strategic Investment Co., Ltd., General Accountant of Guotou Yuanyi Industry Co., Ltd. and General Accountant and Chief Financial Officer of Hubei Hongqi Cable Factory. Mr. Qin is currently also Executive Director of Sinofert and Executive Director of China National Seed Group Co., Ltd. Mr. Qin graduated with a Bachelor's degree in Accounting from East China Institute of Technology in 1991 and an EMBA degree from China Europe International Business School in 2011.

## SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

### Establishment of a real property development enterprise

According to the Law of the PRC on the Management of Urban Real Estate (the “**Urban Real Property Law**”), promulgated by the Standing Committee of the NPC on 5 July 1994 and amended on 30 August 2007, 27 August 2009 and 26 August 2019, a real property developer is defined as an enterprise that engages in the development and sale of real property for the purpose of making profits. Under the *Regulations on the Administration of Urban Real Estate Development and Operations* (“**Development Regulations**”) promulgated by the State Council on 20 July 1998, and amended on 8 January 2011, 19 March 2018, 24 March 2019 and 27 March 2020, a real property development enterprise must satisfy the following requirements:

- the developer must have a registered capital of not less than RMB1 million; and
- the developer must employ four or more full-time professional real property or construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

A provincial government, autonomous region government or municipal government may, based on local circumstances, impose more stringent requirements on the registered capital and professional qualifications of real property developers within its jurisdiction.

Pursuant to the Development Regulations, applications for registration of a real property development enterprise must be submitted to the State Administration for Industry and Commerce of the PRC (the “**SAIC**”) or the relevant SAIC local branch. In addition, the applicant must file a record with the real property development authority of the relevant application location within thirty days of receipt of a business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China, described below under “Foreign investment policy on real property projects”.

Under the *Notice Concerning Adjustment of the Capital Funding Percentage for Fixed Asset Investment in Certain Industries*, issued by the State Council on 26 April 2004, the minimum capital funding percentage required for real estate projects (excluding low-income residence projects) was increased from 20% to 35% or above. On 9 September 2015, the State Council issued the Notice on Adjusting and Improving the System of Registered Capital in Fixed Asset Investment Projects (國務院關於調整和完善固定資產投資項目資本金制度的通知), according to which the minimum percentage for ordinary residential projects and affordable residential projects is 20% and the minimum percentage for other property projects is 25%.

### Real property developer qualifications

Under the *Provisions Concerning Administration of Real Property Developer Qualifications* (the “**Qualification Provisions**”), promulgated by the Ministry of Construction on 29 March 2000 and amended on 4 May 2015, no enterprise may engage in development and sale of real property without a qualification classification certificate for property development. In accordance with the Qualification Provisions, real property developers are classified into four tiers. Developers with “Class A” qualifications are subject to preliminary examination by the construction authority under the relevant provincial government, autonomous region government or municipal government, followed by final approval by the Ministry of Construction (currently known as the Ministry of Housing and Urban-Rural Development of the PRC). Procedures for “Class B” or lower qualifications are formulated by the

construction authority under the relevant provincial government, autonomous region government or municipal government. A developer that passes the qualification examination will be issued a qualification certificate for the relevant class by the examination authority.

Once a newly established real estate developer reports its establishment to the applicable real estate development authority (which depends on the applicable qualification class), the latter will issue a provisional qualification certificate within thirty days of receipt of such report. Such provisional certificate is valid for one year and renewable for up to an additional two years with the approval of the real estate development authority. The developer must apply for qualification classification within one month of the expiration of the provisional qualification certificate. A developer may only engage in the development and sale of real estate within its approved scope of business and may not engage in business limited to other classifications. A “Class A” real estate developer is not restricted as to the scale of its developments and may undertake development projects anywhere in the country. A “Class B” developer or lower may undertake projects with a gross area of less than 250,000 sq.m. and the specific scope of business must be confirmed by the construction authority under the relevant provincial government, autonomous region government or municipal government. In addition, an annual inspection system has been implemented with regard to real estate development qualifications. A developer’s specific qualification certificate may be downgraded or cancelled if a developer fails to pass its annual inspection.

### **Foreign investment policy on real property projects**

Pursuant to the *Foreign Investment Industrial Guidance Catalogue* (the “**Guidance Catalogue**”), jointly enacted by MOFCOM and NDRC on 30 November 2004, last amended on 30 June 2019, respectively, effective from 28 July 2018, real estate development and operation falls within the permitted industry category for foreign investment. Therefore, a foreign-invested real estate enterprise may be established in the form of a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly-owned foreign enterprise for purposes of engaging in all types of construction and real property operation, all subject to government approvals and registrations according to relevant laws and administrative regulations relating to foreign-invested enterprises.

Pursuant to the Notice on Issues Related to Delegation of Powers of Examination and Approval of Foreign Investment to Authorities at Lower Levels, promulgated by MOFCOM on 10 June 2010, the relevant MOFCOM provincial branch is responsible for the examination and approval of establishments and modifications of foreign-invested enterprises in encouraged or permitted industries with a total investment less than US\$300 million and with a total investment less than US\$50 million in restricted industries.

According to the Provisions Concerning Approval and Registration of Foreign-Invested Projects, promulgated by the NDRC on 17 May 2014 and amended on 27 December 2014 which replaces the Interim Provisions Concerning Approval of Foreign-Invested Projects promulgated by the NDRC on 9 October 2004, local government authorities may examine and approve foreign-invested projects with total investment (including capital-increase) of less than US\$300 million and require the Chinese party to have a controlling share within the category of encouraged foreign investments. Provincial government authorities may examine and approve foreign-invested real estate projects within the category of foreign investments subject to restrictions and other foreign-invested projects with total investment (including capital-increase) of less than US\$50 million within the category of foreign investments subject to restrictions. NDRC approval is required for foreign-invested projects (i) with total investment (including capital-increase) of US\$300 million or more and the requirement that the Chinese party to have a controlling share within the category of encouraged foreign investments, and (ii) with total investment (including capital-increase) of US\$50 million or more within the category of foreign

investments subject to restrictions (excluding real estate projects). Except for foreign-invested projects mentioned above, other foreign-invested projects are subject to registration by local government authorities.

According to the Decision of NDRC Concerning Amendment of Relevant Provisions of the Provisions Concerning Approval and Registration of Overseas-Invested Project and Provisions Concerning Approval and Registration of Foreign-Invested Projects, promulgated by the NDRC on 27 December 2014, and Catalogue of Investment Projects Approved by the Government (2016), promulgated by the State Council on 12 December 2016, provincial government authorities may examine and approve foreign-invested real estate projects within the category of foreign investments subject to restrictions and foreign-invested projects with a total investment (including any capital increase) of less than US\$300 million within the category of foreign investments subject to restrictions. Approval from the State Council is required for foreign-invested projects with a total investment (including any capital increase) of US\$300 million or more within the category of foreign investments subject to restrictions. Furthermore, registration with the State Council is required for foreign-invested projects with a total investment of US\$2 billion or more. Except for the foreign-invested projects mentioned above, other foreign-invested projects are subject to registration with local government authorities.

According to the *Guidance Catalogue*, real estate development and operation falls within the permitted industry category for foreign investment. Therefore, examination and approval by NDRC, provincial or local government authorities is no longer required for foreign-invested real estate projects, provided that in the event that the total investment is US\$2 billion or more, foreign-invested real estate projects shall be registered with the State Council.

On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly enacted the *Circular Concerning Standardization of the Admittance and Administration of Foreign Capital in the Real Estate Market*, which was amended on 19 August 2015. According to this circular and a related notice issued by MOFCOM on 14 August 2006, foreign investment in the real property market must comply with the following requirements:

- Foreign institutions or individuals purchasing property in the PRC that is not for their own residential use must have a legal presence in the PRC and must apply for the establishment of a foreign-invested enterprise under applicable foreign property investment regulations. Foreign institutions and individuals may only engage in the relevant business within the approved business scope upon obtaining approvals from relevant national authorities and upon completion of the relevant registrations.
- If the total investment of a foreign-invested real estate development enterprise equals or exceeds US\$30 million, registered capital must not be less than one third of the total investment, while registered capital must not be less than US\$12 million, with the total investment less than US\$36 million but equal to or exceeding US\$30 million. If the total investment is less than US\$30 million but exceeds US\$10 million, the amount of the registered capital must not be less than 40% of the total investment, while registered capital must not be less than US\$5 million with the total investment less than US\$12.5 million but exceeding US\$10 million. If the total investment is less than US\$10 million but exceeds US\$3 million, the amount of the registered capital must not be less than 50% of the total investment, while registered capital must not be less than US\$2.1 million with the total investment less than US\$4.2 million but exceeding US\$3 million. The amount of registered capital must not be less than 70% of the total investment when the total investment equals or is less than US\$3 million.



- Foreign investors must obtain approval certificates for the establishment of foreign-invested enterprises from MOFCOM or its relevant local branch and business licenses for the establishment registration of foreign-invested enterprises from SAIC or its relevant local branch, provided, however, that the relevant approval certificate and business license only have a term of one year. By presenting a one-year approval certificate and business license, and upon payment of the land use right premium, an enterprise may apply for the land use rights certificate for the relevant foreign-invested property projects. With the land use rights certificate, and subject to the foreign investors' timely capital contribution, an enterprise may receive a formal approval certificate from MOFCOM or its relevant local branch. SAIC or its relevant local branch shall also issue a new business license with a term equal to the operational term as indicated in the formal approval certificate for foreign-invested enterprises. The enterprise must then apply for tax registration with the tax authorities.
- In order to obtain approval from MOFCOM or its relevant local branch for the transfer of projects or shares in foreign-invested real estate enterprises, and on the acquisition of domestic real estate enterprises by foreign investors, foreign investors must strictly adhere to relevant laws, regulations and policies for submitting relevant applications. Foreign investors must provide the following application materials to obtaining such approval: (i) guarantee letters issued by the relevant foreign investor regarding performance of land use rights grant contracts and compliance with the construction land planning permit and the construction work planning permit; (ii) land use rights certificates issued by the relevant government authority upon granting state-owned land use rights; (iii) alteration of registration regarding the change of title holder or details of the property projects made by the relevant government authority in charge of land construction; and (iv) the tax payment clearance certification issued by the relevant tax authorities.
- When acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from PRC parties in Sino-foreign equity joint ventures, foreign investors must comply with relevant PRC employment laws, settle bank loans and pay acquisition consideration in a single payment using only internal funds. Foreign investors with irregular financial track records are not allowed to conduct any of the aforementioned activities.

Under the Notice of MOFCOM and SAFE on Further Strengthening and Regulating the Examination Approval and Supervision of Foreign Direct Investment in Real Estate, issued on 23 May 2007 and amended on 28 October 2015, if a foreign-invested real estate enterprise is approved by local authorities, it must promptly register with MOFCOM. SAFE and relevant designated foreign exchange banks may not process any settlement or sale of foreign exchange on the capital account of any foreign invested real estate enterprise that fails to complete register with MOFCOM.

On 28 April 2013, SAFE issued the Notice of State Administration of Foreign Exchange on Promulgation of the Administrative Measures on Registration of Foreign Debt which is further amended on 4 May 2015. The notice stipulates the following principles: (i) foreign debt registrations shall not be processed for real estate enterprise with foreign investment that obtained approval certificates on or after 1 June 2007 and registered with MOFCOM, (ii) real estate enterprise with foreign investment which were incorporated before 1 June 2007 shall still have the right to incur foreign debts within the statutory limit, which equals the outstanding balance between total investment and registered capital prior to the increase, or the outstanding balance between total investment and registered capital of such enterprises upon and after increase, whichever is less and (iii) real estate enterprises with foreign investment that have not obtained the land use right certificate, or the project capital of which has not reached 35% of the project total investment shall not incur foreign debt, and SAFE will not process the foreign debt registration and approval for foreign debt settlement of such real estate enterprises. On 10 May 2013, SAFE issued the Notice of State Administration of Foreign Exchange on Promulgation of the Provisions

on Foreign Exchange Control on Direct Investment in China by Foreign Investors and Supporting Documents, of which part was abolished on 30 December 2019, which requires that the real estate enterprise need to provide registered files with MOFCOM for making foreign exchange registration.

On 24 June 2014, MOFCOM and SAFE jointly issued the *Circular Regarding the Improvement of Registration of Foreign-Invested Real Estate Industry*, which adopts an electronic registration system to simplify the registration process and emphasizes the post-registration governance.

On 30 March 2015, SAFE promulgated the *Circular on Reforming the Administration of Foreign Exchange Capital Settlement of Foreign-Invested Enterprises*, effective 1 June, 2015. The circular stipulates that foreign currency capitals of foreign-invested enterprises may be settled at will, namely the foreign currency capitals which completed the equity confirmation of monetary capital by SAFE or the deposit registration of monetary capital by the bank may be settled at banks in accordance with the actual needs of the enterprises. Nevertheless, Renminbi funds from the settlement of foreign currency capitals shall not be used for the following purposes: (i) expenses outside of the business scope of the enterprises or expenses forbidden by state regulations; (ii) stock investment unless otherwise provided in separate regulations; (iii) giving Renminbi entrusted loans unless permitted in the business scope, repayment of inter-company debts, or repayment of Renminbi bank loans which has been transferred to third parties and (iv) constructing and purchasing real estate not for self use purpose, except for property investment enterprise. In addition, the circular provides that the foreign currency capital may be settled and used for the purpose of equity investment by foreign-invested companies whose main business is investment, provided that the domestic investment project is true and legal.

On 19 August 2015, the Ministry of Housing and Urban-Rural Development of the PRC, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the *Notice Concerning Amending Relevant Policies on the Admittance and Administration of Foreign Capital in the Real Estate Market*. The notice stipulates that the *Circular Concerning Standardization of the Admittance and Administration of Foreign Capital in the Real Estate Market* enacted on 11 July 2006 shall be amended in the following aspects:

- The percentage between the registered capital and total investment of a real estate enterprise with foreign investment shall apply the *Interim Provisions Concerning the Percentage between the Registered Capital and Total Investment of A Sino-foreign Equity Joint Venture* enacted by SAIC on 17 February 1987, pursuant to which (i) if the total investment is less than or equals US\$3 million, registered capital must not be less than 7/10 of the total investment; (ii) if the total investment exceeds US\$3 million but is less than or equals US\$10 million, registered capital must not be less than 1/2 of the total investment, among which if the total investment is less than US\$4.2 million, the registered capital shall not be less than US\$2.1 million; (iii) if the total investment exceeds US\$10 million but is less than or equals US\$30 million, registered capital must not be less than 2/5 of the total investment, among which if the total investment is less than US\$12.5 million, the registered capital shall not be less than US\$5 million; and (iv) if the total investment exceeds US\$30 million, the registered capital shall not be less than 1/3 of the total investment, among which if the total investment is less than US\$36 million, the registered capital shall not be less than US\$12 million.
- The requirement that registered capital of a real estate enterprise with foreign investment must be fully paid before such enterprise may incur domestic loans, offshore loans or settle its foreign currency loans is cancelled.
- Domestic branches or representative bodies of foreign institutions, except for those enterprises approved to engage in the real estate business, and foreign individuals who work or study domestically may purchase commodity house for their own use or residential use.

- A real estate enterprise with foreign investment may complete relevant foreign exchange registrations under the foreign direct investment directly at banks in accordance with relevant foreign exchange regulations.

On 14 September 2015, the NDRC issued the *Circular Regarding Advancing the Management and Reform of the Registration System for Foreign Debt Issuance by Enterprises*, which requires that a PRC enterprise or its controlled non-PRC enterprise shall first register with the NDRC before its issuance or incurrence of any foreign debt. On 15 March 2019, the Standing Committee of the NPC promulgated the Foreign Investment Law of the People's Republic of China (《外商投資法》), which came into effect on 1 January 2020, pursuant to which registration with MOFCOM of enterprises with foreign investment is no longer required. However, a foreign investment information report system is established. Foreign investors or foreign-funded enterprises shall submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system.

## **Development of real property projects**

### ***Grants of Land Use Rights***

In accordance with the *PRC Constitution*, land in the PRC is either state-owned or collectively owned, depending on location. Land in urban areas is state-owned, and land in rural areas and suburban areas are, unless otherwise specified by law, collectively owned. The State may expropriate or take over lands and pay compensation in accordance with the law if such expropriation or takeover is in the public interest. Although all land in the PRC are state-owned or collectively owned by the State or by collectives, individuals and companies are permitted to hold, lease and develop lands for which they are granted land use rights.

The *Provisional Regulations of the PRC Concerning the Grant and Transfer of State-owned Land Use Rights in Urban Areas* (the “**Urban Land Regulations**”), promulgated by the State Council on 19 May 1990 and amended on 1 November 2002 and 4 July 2010, and the Urban Real Property Law adopted a system of grant and transfer of the right to use state-owned land. A land user must pay a land premium to the State as consideration for the grant of the right to use the land within a certain term and may transfer, lease, mortgage or otherwise commercially use the land use rights within the applicable term. Under the Urban Land Regulations and the Urban Real Property Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user for the grant of land use rights. After payment in full of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate evidencing the acquisition. The Development Regulations provide that land use rights for a site intended for property development must be obtained via government grant, except for land use rights that may be obtained via allocation pursuant to PRC law or State Council stipulations.

According to the *Regulations on the Grant of State-owned Land Use Rights by way of Tender, Auction and Listing-for-sale*, issued by the Ministry of Land and Resources (the “**MLR**”) on 9 May 2002 and effective on 1 July 2002 and amended on 28 September 2007, land use rights for the purposes of commercial use, tourism and entertainment as well as for commodity residential properties may only be granted through tender, auction or listing-for-sale.

Where land use rights are granted via tender, invitations to tender are issued by the local land bureau. The invitation shall set forth terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to consider submitted tenders. The winning bidder will then sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. Tenders for land use rights may be conducted either via open tenders or private tenders. The local land bureau shall consider the following factors: (i) if the

invitation to tender only requires a bid from the bidder, whoever offers the highest bid will be the winning bidder; (ii) alternatively, if the invitation to tender requires the bidder to submit planning proposals in addition to the bid, then details of the proposals will be considered. If the relevant land bureau considers that no bid is satisfactory, the land bureau has the right to reject all bids.

Where land use rights are granted via auction, a public auction is held by the relevant local land bureau. The land use rights are granted to the bidder with the highest bid. The winning bidder will be asked to enter into a grant contract with the local land bureau.

Where land use rights are granted via listing-for-sale, a public notice is issued by the local land bureau to specify the location, area, purpose of use, initial listing price, period for receiving bids and the terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who also satisfies the relevant terms and conditions. The winning bidder will then enter into a grant contract with the local land bureau. On 11 June 2003, the MLR promulgated the *Regulations on Grant of State-owned Land Use Rights by Agreement*. According to these regulations, if only one entity is a proposed user for a given parcel of land, the related land use rights may be granted by way of agreement, except where the related land use rights are to be used for tourism or entertainment purposes or for commodity residential properties. The relevant local land bureau, together with other relevant governmental authorities, including any relevant city planning authority, must formulate a plan that deals with issues such as the specific location, boundaries, purpose of use, area, term of grant, conditions of use, conditions for planning and design and the proposed land premium, which may not be lower than the minimum price set by the State, and submit such plan to the relevant government body for approval. Afterwards, the relevant local land bureau and the proposed user negotiate and enter into a land granting contract based on this plan. If two or more entities are interested in the same land use rights, such rights must be granted via tender, auction or listing-for-sale.

On 16 March 2007, the National People's Congress (the "NPC") promulgated the *Property Rights Law of the PRC* (the "**Property Rights Law**"), effective on 1 October 2007. The Property Rights Law stipulates that for land used for industrial, business, entertainment or commercial residential purposes, etc., or where there are more than two competing bidders for a single parcel of land, land use rights must be granted via public tender, auction or listing-for-sale.

The MLR has further promulgated the *Regulations on the Grant of State-owned Construction Land Use Rights via Tender, Auction and Listing-for-sale*, enacted on 28 September 2007 and effective on 1 November 2007. Under these regulations, land use rights for industrial use (including land for warehouses but excluding land for mining), commercial use, tourism, entertainment and commodity residential property development must be granted via tender, auction or listing-for-sale where two or more proposed users are competing for the same parcel of land. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land premium, and no land use rights certificates will be issued pro rata based on partial payment received.

On 18 November 2009, the MOF, MLR, PBOC, Ministry of Supervision and National Audit Office jointly issued the *Notice on Strengthening the Management of Income and Expenses Related to Grant of Land Use Rights*, requiring a minimum down payment of 50% of the land premium for land use right purchases from a local government. The notice also provides that the installment period stipulated in the relevant land grant contract may not exceed one year, although for particular projects, upon joint approval by the relevant government authorities, such installment period may be as much as two years. Developers are not allowed to purchase new land if they fail to repay previous land premiums in a timely manner.

On 8 March 2010, the MLR promulgated the *Circular on Strengthening Real Estate Land Supply and Supervision* (the "**Land Supervision Circular**"). Under the Land Supervision Circular, the price for a given land transfer is required to be at least 70% of the benchmark price for land in the

surrounding locality, and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum land premium. The Land Supervision Circular includes further strict provisions on contract administration. A land grant contract must be entered into within ten working days of closing of the land grant deal. The down payment of 50% of the land premium (taking into account any deposits previously paid) must be paid within one month after the date of land grant contract, and the remaining payments must be made in accordance with provisions of the land grant contract within one year.

On 26 January 2011, the General Office of the State Council of the PRC promulgated the *Notice on a Better Work for the Control over the Real Estate Market*. Under the Notice, the local government shall take various measures to control housing prices at a reasonable level (including determining reasonable pricing of new houses in 2011) and the tax authority shall strengthen its supervision of real property development projects whose pricing is obviously higher than those of its neighbouring areas and conduct clearance and inspection on land value added tax for such projects. According to the Notice, the qualifications of real estate developers purchasing land use rights, and the source of their funds, shall be more stringently examined, and the entities which participate in land use right bidding shall state the source of their funds coupled with the corresponding certificates or evidences. In addition, if land supplied for the development, but the construction permit has not been obtained and construction has not commenced within two years of obtaining the relevant land use rights, such land use right will be taken back by the government and a monetary fine shall be imposed for such land having remained idle, and for any real estate development project for which the investment put (excluding the land premium) is less than 25% of the total investment, the land use rights thereon, and the project itself, shall not be transferred in any manner. The Notice also provides that the down payment for any second house shall account for at least 60% of the whole purchase price and the rate of the loan from the bank shall not be less than 1.1 times the benchmark rate for the purchaser of the second-house.

On 26 February 2013, the General Office of the State Council of the PRC promulgated the *Notice on a Continuous Work for the Control over the Real Estate Market*. The Notice further clarifies: (i) the restricted real estate areas must cover all the administrative areas in one city; restricted real estate includes all the newly-built commodity residential properties and the second-hand properties; the verification on the qualification of purchasing the real properties shall be made before the real property purchase contract is entered into; it is prohibited to sell the real properties to the families without local citizenship owning one or more real properties and the families without local citizenship that cannot provide the local tax payment certificates or social insurance premiums payment certificates for a certain years; (ii) the banks shall implement the first installment ratio and the lending rate policies on the purchasing of the first real properties, strictly follow the credit policies on the purchasing of the second or more real properties and strengthen the verification on the qualification of the real property purchasers; (iii) the individual income taxes shall be imposed on those selling their self-owned residential properties, with a rate equalling 20% of the balances between the selling price and the original price.

On 22 May 2014, the MLR promulgated the *Provisions on Conserving Use and Concentrated Use of Land*. This regulation seeks to strengthen the conserving and efficient use of land by measures of general guidance, layout optimization, standard control, market allocation and revitalised use. In addition, this regulation stipulates that land supply for all types of compensated land use shall not be less than the minimum price standard stipulated by relevant state authorities and it is prohibited to exchange land for projects, return after expropriation, give subsidy or reward, or any other disguised form of land premium relief. On 12 September 2014, the MLR promulgated the *Guidance on Promoting Conserving Use and Concentrated Use of Land*, which further stipulates that scale of land for construction in urban and rural areas shall be strictly controlled, and the amount of new land for construction shall be gradually reduced, with emphasis on revitalised use of existing land for construction.



On 25 March 2015, the MLR and Ministry of Construction jointly issued the Circular Regarding Optimization of the House and Land Supply Structure and Promotion of the Smooth and Healthy Development of Real Estate Market in 2015. The circular seeks to strengthen the supervision over implementation of the supply and market order of real estate market in 2015. The circular stipulates that relevant land and resources authority may restrict or prohibit the real estate developer who violates relevant qualification regulations or severely violates relevant laws and regulations during development and transactions of properties from participating in the tender, auction and listing-for-sale of land use right.

On 30 March 2015, the PBOC, CBRC and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the *Circular on Residential Housing Loan for Individual Buyers*. The circular seeks to reduce the minimum down payment to (i) 40% of the purchase price for second-time home owners who purchase ordinary residential properties for own use using commercial loans, and (ii) 30% of the purchase price for second-time home owners who purchase ordinary residential properties for own use using public housing funds. On 1 February 2016, the PBOC and the CBRC jointly promulgated the *Notice on Adjusting the Matters concerning Individual Housing Loan Policies* to amend the above policy, which stipulates that except for purchases in the cities where more restrictive measures on purchasing residential property have been implemented, the applicable down payment for a first-time purchaser of residential property shall principally be no less than 25% (with fluctuation of 5% up or down) of the purchase price when such purchase is financed with a mortgage loan, and that the applicable down payment shall be no less than 30% of the purchase price for a second-time purchaser of residential property and the housing loan for such second-time purchaser's first purchase of residential property has not been paid off.

### ***Property Project Development***

*Approval of Construction Site.* In accordance with the *Measures for Administration of Examination and Approval for Construction Sites*, promulgated by the MLR on 2 March 1999 and amended on 30 November 2010 and 29 November 2016, and the *Measures for Administration of Preliminary Examination of Construction Project Sites*, promulgated by the MLR on 25 July 2001 and as amended on 1 November 2004, 29 November 2008 and 29 November 2016, a real estate developer must make a preliminary construction work application to the land administrative authority. After receiving the preliminary application, the land administration authority shall carry out preliminary approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the PRC, and shall then issue a preliminary approval report or opinion with respect to the project site. The land administration authority under the government of the relevant city or county shall upon examination issue an approval for the construction site to the construction entity.

*Approval of Construction Planning.* According to the *Measures for Control and Administration of Grant and Transfer of Rights to Use Urban State-owned Land*, promulgated by the Ministry of Construction on 4 December 1992 and 26 January 2011, the grantee or assignee to a grant or assignment contract (i.e., a real estate developer), must apply for a permit for construction site planning from the municipal planning authority. After obtaining a permit for construction site planning, a real estate developer must organize the necessary planning and design work, based on the applicable planning and design requirements. For a planning and design proposal in respect of a real estate development project, the relevant report and approval procedures required by the Urban and Rural Planning Law of the PRC, promulgated by the Standing Committee of the NPC on 28 October 2007 and amended on 24 April 2015 and 23 April 2019 and local statutes on municipal planning must be followed. A permit for construction works planning must be obtained from the relevant municipal planning authority.

*Approval of Construction of Real Property Projects.* In accordance with the *Measures Concerning Administration of Permissions for Commencement of Construction Works*, promulgated by the Ministry of Housing and Urban-Rural Development on 15 October 1999 and as amended on 4 July 2001, 25 June 2014 and 28 September 2018, a developer must apply for a permit for commencement of works from the construction authority under the relevant local government at or above the county level.

*Approval of Completion of Construction.* A real estate project must comply with all relevant laws and regulations regarding construction quality requirements, safety standards and technical guidance as to survey, design and construction work, as well as provisions of the relevant contract. After completion of construction work, the developer must organize an acceptance examination in accordance with the Development Regulation and the *Provisions on Inspections upon Completion of Buildings and Municipal Infrastructure*, promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on 2 December 2013, and must also report details of the acceptance inspection in accordance with the *Measures for Reporting Details Regarding Registration and Inspections upon Completion of Buildings and Municipal Infrastructure*, promulgated by the Ministry of Construction on 7 April 2000 and amended on 19 October 2009. A real estate development project may only be delivered after passing the necessary acceptance inspection. For a residential estate or other building complex project, an acceptance inspection must be conducted upon completion of the entire project, and where such a project is developed in phases, an acceptance inspection may be carried out for each completed phase.

*Compliance with Environmental Protection Rules.* In accordance with the *Law on Environmental Impact Assessments of the PRC*, promulgated by the Standing Committee of the NPC on 8 October 2002, effective on 1 September 2003 and amended on 23 September 2012, 2 July 2016 and 29 December 2018, a real estate developer must prepare an environmental impact assessment for submission to, and obtain the approval from, the relevant environmental authorities prior to commencing construction. Upon completion of each project, the relevant environmental authorities will inspect the site and test the environmental control facilities to ensure compliance with all applicable environmental regulations and issue the relevant environmental approvals to confirm such compliance.

*Compliance with Safety Work Rules.* In accordance with the Supervision Procedures Concerning Work Safety of House Constructions and Municipal Infrastructure Projects, promulgated and implemented by the Ministry of Housing and Urban-Rural Development of the PRC on 24 October 2014 and effective from 25 October 2014 and amended on 28 September 2018, a developer must apply for a notification of work safety supervision from the supervision authority under the relevant local government at or above the county level before commencement of works. In addition, pursuant to the Administrative Regulations on Work Safety in Construction Projects, promulgated by the State Council on 24 November 2003 and effective on 1 February 2004, a developer must determine the budget to be used and prepare files and documentation setting forth the safety measures to be adopted during construction for submission to the relevant construction authorities when the developer applies for a permit for commencement of works.

*Idle Land.* According to the *Measures on Administration of Idle Land*, promulgated and implemented by the MLR on 28 April 1999 and amended on 1 June 2012, effective from 1 July 2012, for land obtained by grant and within the scope of city planning, if construction work has not yet been commenced after one year from the agreed commencement date, an idle fee equivalent to 20% of the land premium may be imposed, and where construction work has not begun within two years of the agreed commencement date, the government may retrieve the land use right without compensation, except where delays in commencement of construction are due to force majeure or acts of government or where required preliminary work remains unfinished.

On 21 September 2010, the MLR and the Ministry of Housing and Urban-Rural Development of the PRC jointly promulgated the *Circular on Further Strengthening the Macro-control of Use of Lands for Real Estate Development and Construction Administration*, which regulates more stringently the



acquisition and development of land for real estate development. The circular provides that a real estate developer and its controlling shareholders are prohibited from acquiring new land, if the developer (i) has previously obtained land through fraudulent means; (ii) has illegally transferred previously-acquired lands; (iii) has caused previously-acquired land to be idle for one year or longer due to its own reason; or (iv) has failed to comply with the land grant contract when developing the land. In addition, the developer shall commence the development of land within one year and complete development within three years from the date of being delivered from the authority. The developer shall strictly follow the terms and conditions set forth in the land grant contract in the process of development and may be imposed with liabilities in the event of any breach.

### ***Property Transactions***

*Transfer of Property.* According to the Urban Real Estate Law and the *Provisions on Administration of Transfer of Urban Real Estate*, enacted by the Ministry of Construction on 7 August 1995 and revised on 15 August 2001, a property owner may sell, donate or otherwise transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer must enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within ninety days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that: (i) the land premium has been paid in full for the grant of the land use rights, as provided by the grant contract, and a land use rights certificate has been issued; and (ii) if development is to be carried out according to the grant contract and buildings are being developed in connection with the project, development representing more than 25% of the total investment has been completed or, in case of a whole land lot development project, (x) construction work has been carried out as planned, (y) water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and (z) the site has been levelled and made ready for industrial or other construction purposes. In addition, if construction has been completed, the real property should be transferred after the building ownership certificate has been granted.

If land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property is equal to the remaining term provided under the original land use rights assignment contract after deducting the time that has elapsed under the former land users. In the event that the transferee intends to change the use of the land provided in the original assignment contract, consent must first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county, and an agreement to amend the land use rights assignment contract or a new land use rights assignment contract must be signed in order to, *inter alia*, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power, as required under the regulations of the State Council. If the government approves such a transfer, the transferee must complete the formalities for transfer of the land use rights, where such formalities exist, and pay the transfer price in accordance with the relevant statutes.

*Sale of Commodity Properties.* Pursuant to the *Regulatory Measures on the Sale of Commodity Properties*, promulgated by the Ministry of Construction on 4 April 2001, and the Urban Real Property Law, sale of commodity buildings can be divided into pre-completion sales, or presales, and post-completion sales. Under the *Administrative Measures Governing the Pre-sale of Commodity Properties*

(“**Pre-sale Administrative Measures**”) promulgated on 15 November 1994 and amended on 15 August 2001 and 20 July 2004, when commodity houses or residences are presold, the following requirements must be met:

- the land premium in respect of the land use rights must be paid in full, and the certificate of land use rights must have been obtained;
- the construction works planning permit and commencement of construction works permit must have been issued;
- funds contributed to development of the project must amount to at least 25% of the total amount of project investment, and project progress and the date of completion and delivery must have been properly ascertained; and
- the pre-sale permit must have been issued.

Moreover, the pre-sale of commodity houses or residences is subject to a registration system. According to the current PRC laws and regulations, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Developers who intend to pre-sell their commodity houses or residences are required to apply for registration with the relevant real property administration department of the government at county level or above and obtain a pre-sale license. In addition, the pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold.

Under the *Regulatory Measures on the Sale of Commodity Properties*, commodity buildings may be put to post-completion sale only when certain conditions have been satisfied. These conditions include the following, among others:

- the property development enterprise must have a business license and property developer qualification certificate;
- the enterprise must obtain a land use rights certificate or other approval documents for land use;
- the enterprise must obtain a construction works planning permit and a commencement of construction works permit; and
- the building must be completed, inspected and accepted as qualified.

Prior to the post-completion sale of a commodity building, a property developer must submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the competent real property administration authorities.

*Mortgage of Property.* Under the *Property Rights Law*, the *Security Law of the PRC*, enacted by the Standing Committee of the NPC on 30 June 1995 and effective on 1 October 1995, and the *Measures on the Administration of Property Mortgages in Urban Areas*, enacted by the Ministry of Construction on 9 May 1997 and revised on 15 August 2001, the term “**mortgage**” refers to the act of a debtor or third party who, without transferring the occupancy of the properties, charges those properties as security for the creditor’s rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation by converting the properties into cash or seeking preferential payments from the proceeds of the auction or sale of the concerned properties. After being mortgaged, the balance of value of the properties that exceeds the creditor’s rights may be mortgaged for a second time, but the sum of the mortgage may not exceed the value of the balance. When a mortgage is created on the ownership or title of a building on legally obtained state-owned land, a mortgage is simultaneously created on the land use rights of the land on which the building is constructed. When the land use rights of state-owned lands obtained via grant are mortgaged, the buildings on the land are also mortgaged at the same time.

The land use rights of town and village enterprises cannot be mortgaged separately. When the buildings of town and village enterprises are mortgaged, the land use rights occupied by the buildings are also mortgaged at the same time. The mortgagor and the mortgagee must sign a mortgage contract in writing. Within thirty days of signing of a property mortgage contract, the parties to the mortgage must register the mortgage with the property administration authority at the location where the property is situated. A real estate mortgage contract becomes effective on the date of conclusion of the real estate mortgage contract. If a mortgage is created on real estate in respect of which a property ownership certificate has been legally obtained, the registration authority shall make an entry or mark under the “third-party rights” item on the original real estate ownership certificate and then issue a certificate of third-party rights to the mortgagee. If a mortgage is created on commodity building subject to pre-sale or during construction, the registration authority shall record the details on the mortgage contract. If construction of a real property development is completed during the term of a mortgage, the parties involved shall re-register the mortgage after issuance of the certificates evidencing the ownership or title of the property.

*Leasing of Buildings.* In accordance with the Administrative Measures for Commodity House Leasing, promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on 1 December 2010, and effective on 1 February 2011, owners of buildings in the PRC are entitled to lease their buildings, and landlords and tenants are required to enter into a written lease contract containing certain specified provisions. Besides, parties to a leasehold arrangement of a property shall register the leasing agreement with property administrative authorities within 30 days after entering into such leasing agreement under local government at the municipal or county level where the property is situated.

According to the *Urban Real Property Law*, where an owner of a house built on state-owned land leases the property for profit and the land use rights were originally obtained through allocation, any rent proceeds derived from the land must be paid to the State.

### ***Real Property Management***

According to the *Rules on Property Management Service Fees*, jointly promulgated by the NDRC and the Ministry of Construction on 13 November 2003, the amount of property management fees payable to a property management enterprise as remuneration may be set between the owners and property management enterprises by reference to a fixed management fee or a percentage based management fee. The property management enterprise may collect a fixed management fee from the property owners to cover all operating costs incurred for property management and shall account for any shortfall and retain any surplus; or, management fees may be charged by reference to a fixed percentage of the total management fees collected. The balance of the fees will be used for covering the operating cost incurred for property management, and the property owners shall account for any shortfall and retain any surplus.

### **Regulation of the PRC hotel operation and management industry**

The hotel industry in China is subject to various laws and regulations. At present, there is no specific governmental agency responsible for administering the daily operation and management of the hotel industry in the PRC. Instead, daily operation of the hotel industry is administered by various government agencies. Representative regulations include the following:

#### ***Security and Fire Control Regulations and Business Licenses***

According to the *Measures for the Control of Security in the Hotel Industry*, promulgated by the Ministry of Public Security (the “MPS”) on 10 November 1987 and amended on 8 January 2011, and

the *Decisions of the State Council to Implement Administrative Licenses on Items Necessarily to be Retained for Administrative Examination*, promulgated by the State Council on 29 June 2004 and amended on 29 January 2009 and 25 August 2016, an application to establish a hotel in the PRC must be signed and annotated by a local public security authority and a special industry license must be obtained from the local public security authority prior to operation. In addition, a hotel is permitted to commence operation only after lawful registration and receipt of a business license from the SAIC or its local counterpart. If the hotel wishes to suspend operations, change its line of business, amalgamate, relocate, change its name or other such matters, it must report the details to the local security bureau or branch bureau at the county or municipal level for filing.

According to the *Provisions on the Administration of Fire Safety of State Organs, Organizations, Enterprises and Institutions*, promulgated by the MPS on 14 November 2001 and amended on 21 May 2009, hotels are classified as key administrative units for fire control safety purposes. Inspection procedures for fire control design must be undergone in respect of any construction, decoration or replacement work with respect to a hotel, and the hotel may open for business only after passing inspection upon completion of the work.

### ***Administration of Sanitation in Public Places***

According to *Regulations on the Sanitary Administration of Public Places*, promulgated by the State Council on 1 April 1987 and amended on 23 September 2012, 6 February 2016 and 23 April 2019, hotels are included within the ambit of public places requiring special sanitary measures and therefore must obtain a permit from the Ministry of Health (the “**MOH**”) or its local counterparts. The sanitation permit must be reviewed every two years. According to the *Implementing Rules of Regulations on the Sanitary Administration of Public Places*, promulgated by the MOH on 10 March 2011, and effective on 1 May 2011 and amended on 19 January 2016 and 26 December 2017, the hotel staff must conduct a health check at least once a year and obtain a health certificate before commencing operation.

### ***Administration of Food Sanitation***

In accordance with the *Food Safety Law of the PRC*, which was promulgated on 28 February 2009 by the Standing Committee and effective on 1 June 2009 and amended on 1 October 2015 and 29 December 2018, and the *Implementation Regulations of the Food Safety Law*, promulgated and effective on 20 July 2009 and amended on 6 February 2016, a hotel engaged in food and beverage operations must obtain a food catering service permit. According to the *Measures for the Administration of Permits for Operating Food and Beverage Services*, which became effective as at 1 May 2010, any food sanitation license which had been obtained prior to 1 June 2009 will be replaced by the catering service permit once the food sanitation license expires. The permit may be issued by the food sanitation administrative authority at the county level or above. Hotels must be in compliance with the relevant sanitary standards and requirements regarding food sourcing and storage, food processing, dining utensils, restaurant service and sanitary administration of take-away food.

### ***Customer Protection***

According to the *Law of the People's Republic of China on the Protection of Customer Rights and Interests* (the “**Customer Protection Law**”), which was promulgated by SCNPC on 31 October 1993 and amended on 25 October 2013, a series of obligations are imposed on business operators, including: (a) to ensure that the goods and services provided meet certain requirements for personal or property safety; (b) to disclose any defects in the goods or services provided and take corresponding measures to

prevent damage occurrence; (c) to clearly mark the prices of the goods or services provided; (d) to return, replace or repair the goods or services if those provided fail to meet quality requirements; (e) not to impose unfair or unreasonable conditions on customers that exclude or restrict the rights of customers, reduce or waive the liabilities of business operators or aggravate the liabilities of customers, and not to compel customers into transactions by using standard-form terms and with the help of technological means; (f) not to insult or slander customers, or violate the personal freedom of customers; and (g) to strictly keep confidential the personal information of customers. The Customer Protection Law further prescribes that those business operators who fail to fulfill their obligations thereunder may be subject to civil, administrative or even criminal liabilities. In addition, the Supreme People's Court published the Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Law in Trying Cases Involving Compensation for Personal Damage on 26 December 2003, which further elaborates that the business operators engaged in accommodation, catering and entertainment services shall be liable for compensation if they fail to fulfill their statutory obligation to ensure the safety of customers to the reasonable extent.

### ***Administration of Culture***

According to the *Entertainment Venue Management Regulations*, promulgated by the State Council on 29 January 2006 and amended on 6 February 2016, and the Circular on *Implementation of the Regulations for Administration of Entertainment Places*, promulgated by the Ministry of Culture on 6 March 2006, hotels operating dancing, night club and entertainment venues must apply to the competent cultural administrative authority at the county level or above for a permit to operate entertainment venues. According to the *Provision on the Administration of Ground Receiving Facilities for Satellite Television Broadcasting*, effective on 5 October 1993 and amended on 18 July 2013 and 18 September 2018, and the implementing rules thereunder, effective on 3 February 1994, hotels rated three-star or second class (national standard) or above with the capability of accommodating foreign visitors may apply to install ground satellite receiving facilities in order to receive uninterrupted foreign entertainment programs transmitted via satellites to local radio and television administrative departments at the county or municipal level. Upon completion of installing ground satellite receiving facilities, the hotel shall apply for a permit to receive television programs transmitted via satellites from the relevant approving authority.

### ***Hotel Rating***

On 1 August 1988, the National Tourism Administration promulgated the *Regulations on the Assessment of the Star Rating of Tourist Hotels*, which provide that all hotels with operations of over one year are eligible to apply for a star rating assessment. There are five ratings, ranging from one star to five stars for tourist hotels, assessed based on the level of facilities, management standards and quality of service. According to the *Classification and Assessment Standards of the Star Rating of Tourist Hotels*, issued by the National Tourism Administration of the PRC, a star rating, once granted, is valid for three years.

### **Remittance of Renminbi into and outside the PRC**

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.



## ***Current Account Items***

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau.

On 17 June 2010, 24 August 2011 and 3 February 2012, respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades*, the *Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement* and the *Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods* (together as “**Circulars**”). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods without obtaining the approval as previously required, but the relevant provincial government maintains with PBOC and five other PRC authorities (the “**Six Authorities**”) a list of key enterprises subject to supervision (the “**Supervision List**”).

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (the “**2013 PBOC Circular**”), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

On 1 November 2014, PBOC promulgated the Circular on Matters concerning Centralised Cross-Border Renminbi Fund Operation Conducted by Multinational Enterprise Groups (the “**2014 PBOC Circular**”). According to the 2014 PBOC Circular, a qualified multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for the entire group (without such cash pooling arrangements, the relevant payments and receipts would generally need to be processed individually and cannot be netted off against one another). The 2014 PBOC Circular also provides that enterprises in the China (Shanghai) Free Trade Pilot Zone (the “**Shanghai FTZ**”) may irrevocably opt to participate in the local scheme in the Shanghai FTZ and file with the Shanghai Head Office of PBOC.

On 5 September 2015, PBOC promulgated the *Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups* (the “**2015 PBOC Circular**”), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow.

On 5 January 2018, the PBOC promulgated the *Notice on Further Fine-tuning the Policies on Cross-border Renminbi Business to Promote Trade and Investment Facilitation* (the “**2018 PBOC Circular**”). Accordingly, an enterprise shall be allowed to use Renminbi to settle all cross-border transactions that may be settled by foreign currencies pursuant to PRC laws.

Such regulations including the Circulars, the 2013 PBOC Circular, the 2014 PBOC Circular, the 2015 PBOC Circular, and the 2018 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

### ***Capital Account Items***

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans.

Prior to October 2011, capital account items of foreign invested entities were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) were generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties were also generally required to make capital item payments, including proceeds from liquidation, transfer of shares, and reduction of capital in a foreign currency. That said, the relevant PRC authorities might approve a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise might also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 25 February 2011, the Ministry of Commerce of the PRC (“**MOFCOM**”) promulgated the *Circular on Issues concerning Foreign Investment Management* (the “**MOFCOM Circular**”). The MOFCOM Circular states that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with Renminbi that it has generated from cross-border trade settlement or that is lawfully obtained by it outside the PRC, MOFCOM's prior written consent is required.

On 7 April 2011, the State Administration of Foreign Exchange of the PRC (“**SAFE**”) issued the *Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border Renminbi Capital Account Items*, which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantee in Renminbi shall in principle follow the current regulations on the provision of external guarantee in foreign currencies.

On 13 October 2011, the PBOC promulgated the *Administrative Measures on Renminbi Settlement for Foreign Direct Investment* (the “**PBOC Measures**”), which was amended on 5 June 2015 and supersedes any PBOC rules which are inconsistent with the PBOC Measures. The PBOC Measures provide instructions to banking institutions on the procedures for the remittance and settlement activities for Renminbi foreign direct investment into the PRC. According to the PBOC Measures, capital account items in the form of cross-border transfers of capital and direct investments are generally not subject to a case-by-case approval of the PBOC but the account opening will be handled by banks in accordance with relevant PRC regulations.

There is no assurance that the PRC Government will continue to gradually liberalize the control over Renminbi payments of capital account item transactions in the future. The relevant regulations will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case



may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

As the MOFCOM Circulars and the PBOC Measures are relatively new promulgations, they will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

## CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, DTC or the CMU Service (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Company and the Issuer believe to be reliable, but none of the Company, the Issuer or any Arranger or the Dealer, the Trustee or any Agent takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Company, the Issuer or any other parties to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The applicable Pricing Supplement will specify the Clearing System(s) applicable for each Series.

### The Clearing Systems

#### *Euroclear and Clearstream*

Euroclear and Clearstream each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly. Euroclear and Clearstream have established an electronic bridge between the two systems across which their respective participants may settle trades with each other.

Distributions of principal, distribution and interest with respect to book-entry interests in the Instruments held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system’s rules and procedures.

#### *DTC*

DTC is a limited purpose trust company organised under the laws of the State of New York, a “**banking organization**” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “**clearing corporation**” within the meaning of the Uniform Commercial Code and a “**clearance agency**” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (“**indirect participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**DTC Rules**”), DTC makes book-entry transfers of Registered Instruments among Direct Participants on whose behalf it acts with respect to Instruments accepted into DTC’s book-entry settlement system (“**DTC Instruments**”) as described below and receives and transmits distributions of principal and interest on DTC Instruments. The DTC Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Instruments (“**owners**”) have accounts with respect to the DTC Instruments similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Instruments through Direct Participants or Indirect Participants will not possess Registered Instruments, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Instruments.

Purchases of DTC Instruments under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Instruments on DTC’s records. The ownership interest of each actual purchaser of each DTC Instrument (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Instruments are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Instruments, except in the event that use of the book-entry system for the DTC Instruments is discontinued.

To facilitate subsequent transfers, all DTC Instruments deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co, or such other nominee as may be requested by an authorised representative of DTC. The deposit of DTC Instruments with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Instruments; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Instruments are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct, Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Instruments within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Instruments unless authorised by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the DTC Instruments are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the DTC Instruments will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts on the due date for payment in accordance with their respective holdings shown on DTC’s records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the

accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disburse of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Instruments, DTC will exchange the DTC Instruments for definitive Registered Instruments, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Certificate, will be legended as set forth under “Transfer Restrictions”.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Instruments to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Instruments, will be required to withdraw its Registered Instruments from DTC as described below.

#### *CMU Service*

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of capital markets instruments (“**CMU Instruments**”) which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Asia Capital Markets Association and “authorised institutions” under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not, as part of this service, provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Service Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Member. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any Instruments held in the CMU Service will hold that interest through the respective accounts that Euroclear and Clearstream each have with the CMU Service.

#### **Book-Entry Ownership**

##### *Bearer Notes*

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. In respect of Bearer Notes, a temporary Global

Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian of the CMU Service. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the Euroclear, Clearstream, or the CMU Service. Each Global Note will, where applicable, have an International Securities Identification Number (“**ISIN**”) and/or a Common Code or a CMU Instrument Number. Investors in Notes of such Series may hold their interests in a Global Note only through Euroclear or Clearstream, or the CMU Service, as the case may be.

#### *Registered Instruments*

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Instruments to be represented by an Unrestricted Global Certificate. The Issuer may also apply to have the Instruments represented by an Unrestricted Global Certificate accepted for clearance through the CMU Service. Each Global Certificate deposited with a common depositary for Euroclear and/or Clearstream will, where applicable, have an ISIN and/or a Common Code or, if lodged with a sub-custodian for the CMU Service, will have a CMU Instrument Number. Investors in Instruments of such Series may hold their interests in such Unrestricted Global Certificate only through Euroclear, Clearstream, or the CMU Service.

The Issuer and the Principal Paying Agent may make applications to DTC for acceptance in its book-entry settlement system of the Restricted Registered Instruments represented by each Restricted Global Certificate. Each Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Instruments, as set out under “Transfer Restrictions”. In certain circumstances, as described below in “Transfers of Registered Instruments”, transfers of interests in a Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian with whom the Restricted Global Certificates are deposited (the “**Custodian**”) and DTC will electronically record the nominal amount of the individual beneficial interests represented by such Restricted Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Unrestricted Global Certificate, a common depositary of Euroclear and Clearstream. Ownership of beneficial interests in a Restricted Global Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC’s nominee will be to or to the order of its nominee as the registered owner of such Restricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Agents or any other agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Instruments will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual definitive Registered Instruments will only be available, in the case of Unrestricted Registered Instruments, in amounts specified in the applicable Pricing Supplement, and, in the case of Restricted Registered Instruments, in amounts of US\$200,000 (or its equivalent in other currencies), or higher integral multiples of US\$1,000 (or its equivalent in other currencies), in certain limited circumstances described below.

#### *Individual Definitive Certificates*

Registration or title to Registered Instruments in a name other than a depository or its nominee for Euroclear and Clearstream, or a sub-custodian for DTC or the CMU service, DTC will not be permitted unless (i) in the case of Restricted Registered Instruments, DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Instruments, or ceases to be a “**clearing agency**” registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, or (ii) (in the case of Unrestricted Registered Instruments deposited with a common depository for Euroclear and Clearstream) Euroclear or Clearstream, or a sub-custodian for the CMU Service 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. A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Restricted Global Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

### **Transfers of Registered Instruments**

#### *Transfers within Clearing System*

Transfers of interests in Global Certificates within Euroclear, Clearstream, DTC or the CMU Service will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate in respect of such interest.

#### *Transfers between Clearing Systems*

Beneficial interests in an Unrestricted Global Certificate may be held only through Euroclear or Clearstream, or the CMU Service. Transfers may be made at any time by a holder of an interest in a Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Instruments, provided that any such transfer will only be made in a transaction in accordance with any applicable securities law of any state of the United



States or any other jurisdiction. Any such transfer made thereafter of the Instruments represented by such Unrestricted Global Certificate will only be made upon request through Euroclear or Clearstream by the holder of an interest in the Unrestricted Global Certificate to the Principal Paying Agent or its agent and receipt by the Principal Paying Agent or its agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream, DTC or the CMU Service, as the case may be, to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Instruments described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, or the CMU Service accountholders on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the Issue Date for any Series, transfers of Instruments of such Series between accountholders in Euroclear and Clearstream, and/or the CMU Service and transfers of Instruments of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream or the CMU Service and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, and the CMU Service, on the other, transfers of interests in the relevant Global Certificates will be effected through the Principal Paying Agent or its agent, the Custodian and the Registrar receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or its agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear, Clearstream, or the CMU Service accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Instruments, see “Transfer Restrictions”.

## **DTC Procedures**

The Issuer understands that DTC will take any action permitted to be taken by a holder of Registered Instruments (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC, interests in Restricted Global Certificates are credited, and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual Definitive Certificates (which will, in the case of Restricted Registered Instruments, bear the legend applicable to transfers pursuant to Rule 144A).



Although DTC, Euroclear, Clearstream, and the CMU Service have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Euroclear, Clearstream, and the CMU Service, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Agents or any other agent will have any responsibility for the performance by DTC, Euroclear, Clearstream, or the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Registered Instruments represented by individual Definitive Certificates will not be eligible for clearing or settlement through DTC, Euroclear, Clearstream or the CMU Service.

***Pre-issue Trades Settlement for Registered Instruments***

It is expected that delivery of the Instruments will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Instruments in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that the Instruments initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Instruments may be affected by such local settlement practices and purchasers of Instruments who wish to trade Instruments between the date of pricing and the relevant issue date should consult their own advisor.

## SUBSCRIPTION AND SALE

The Arrangers and the Dealers have, in an amended and restated programme agreement (the “**Programme Agreement**”) dated 18 September 2020, agreed with the Issuer and the Company a basis upon which they or any of them may from time to time agree to purchase Instruments. Any such agreement will extend to those matters stated under “*Form of the Instruments*”, “*Terms and Conditions of the Notes*” and “*Terms and Conditions of the Securities*”. In the Programme Agreement, the Issuer and the Guarantor have agreed to reimburse the Arrangers and the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Instruments under the Programme and to indemnify the Arrangers and the Dealers against certain liabilities incurred by them in connection therewith.

The Arrangers and Dealers and certain of their respective affiliates may have performed certain investment banking and advisory services for the Issuer, the Company and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Company and/or its affiliates in the ordinary course of their business.

The Arrangers and Dealers and certain of their respective affiliates may place order, purchase and be allocated Instruments for asset management and/or proprietary purposes and not with a view to distribution (and such order, purchase and allocation may be material).

The Arrangers and Dealers or certain of their respective affiliates may purchase the Instruments for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Instruments and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Instruments or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Instruments to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Instruments).

### General

Each of the Arrangers and the Dealers has severally and not jointly agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Instruments or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Instruments under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee or any Agent and any other Arranger or Dealer shall have any responsibility therefor.

None of the Issuer, the Company, the Trustee or any Agent, the Arrangers, nor any of the Dealers represents that Instruments may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Arranger or Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Arranger or Dealer and set out in the applicable Pricing Supplement.

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

The Arrangers, Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Arrangers and Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Arrangers, Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Instruments issued under the Programme, may be entered into at the same time or proximate to offers and sales of Instruments or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Instruments. Instruments issued under the Programme may be purchased by or be allocated to any Arranger, Dealer or an affiliate for asset management and/or proprietary purposes, whether or not with a view to later distribution. 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.

## **United States of America**

### ***Compliance with United States securities laws***

The Instruments and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Instruments comprising the relevant Tranche within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Instruments (other than resale of Instruments pursuant to Rule 144A, if applicable) during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Instruments or Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A (if applicable).

The Programme Agreement provides that the Dealers may directly or through their respective U.S. broker dealer affiliates arrange for the offer and resale of Registered Instruments within the United States only to QIBs in reliance on Rule 144A. Under the Programme Agreement, a supplemental offering circular to this Offering Circular (together with this Offering Circular, the “**Rule 144A**

**Offering Circular**”) shall be prepared by the Issuer for use in connection with the offer and sale of the Instruments for the resale of the Instruments in the United States in reliance on Rule 144A. The Rule 144A Offering Circular, if applicable, does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. If the Rule 144A Offering Circular is prepared, distribution of the Rule 144A Offering Circular by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of their contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

#### ***Compliance with United States tax laws***

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to or for the account or benefit of a United States person, except in certain transactions permitted by U.S. tax regulations. Restrictions with respect to Notes in bearer form are described further below.

Unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either the “TEFRA C Rules” or “TEFRA not applicable”, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that in relation to each Tranche of Notes in bearer form:

- (i) except to the extent permitted under the TEFRA D Rules:
  - (a) it has not offered or sold, and during the restricted period will not offer or sell, any Notes to a person who is within the United States or its possessions or to a United States person; and
  - (b) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes sold during the restricted period,
- (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (iii) if it is a United States person, it is acquiring the Notes for the purposes of resale in connection with their original issuance and, if it retains Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and
- (iv) with respect to each affiliate of such Dealer that acquires Notes from such Dealer for the purpose of offering or selling such Notes during the restricted period, it will obtain from such affiliate for the benefit of the Issuer and the Guarantor the representations, warranties and undertakings contained in sub-paragraphs (i), (ii) and (iii) above.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code, as amended, and regulations thereunder, including the TEFRA D Rules.

To the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is under the TEFRA C Rules, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder, including the TEFRA C Rules.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

### **European Economic Area**

Unless the Pricing Supplement in respect of any Instruments specifies the “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable”, each of the Arrangers and Dealers has represented and agreed, and each further dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;
  - (ii) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation.

If the Pricing Supplement in respect of any Instruments specifies “Prohibition of Sales to EEA and UK Retail Investors” as “**Not Applicable**”, in relation to each member state of the European Economic Area and the United Kingdom (each, a “**Relevant State**”), each of the Arrangers and the Dealers has represented and agreed, and each further dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may, make an offer of such Instruments to the public in that Relevant State:

- (a) if the Pricing Supplement in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus

has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Instruments to the public**” in relation to any Instruments in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

#### **United Kingdom**

Each of the Arrangers and the Dealers has represented, warranted and agreed, and each further dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

## **PRC**

Each of the Arrangers and the Dealers has represented, warranted and agreed that the Instruments are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong, Macau Special Administrative Region or Taiwan), except as permitted by the securities laws of the People's Republic of China.

## **Hong Kong**

Each of the Arrangers and the Dealers has represented and agreed, and each further dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instruments (except for Instruments which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”)) other than (a) to “professional investors” as defined in the SFO and any rules made under 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 (the “C(WUMP)O”) (Cap. 32) of Hong Kong 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 Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Singapore**

Each of the Arrangers and the Dealers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Arrangers and the Dealers has represented, warranted and agreed, and each further dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Instruments or caused the Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell any Instruments or cause the Instruments to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Instruments, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Instruments are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

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



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

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

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## **Japan**

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

## **British Virgin Islands**

Each of the Arrangers and the Dealers has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to offer or sell Instruments.

## TRANSFER RESTRICTIONS

### Unrestricted Instruments pursuant to Regulation S

Each purchaser of Bearer Notes or Unrestricted Registered Instruments outside the United States pursuant to Regulation S and each subsequent purchaser of such Instruments in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Instruments, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Instruments are purchased will be, the beneficial owner of such Instruments and:
  - (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
  - (b) it is not an affiliate of the Issuer or the Guarantor or a person acting on behalf of such an affiliate;
- (ii) it understands that such Instruments have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Instruments except:
  - (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
  - (b) to the Issuer; or
  - (c) in the case of Unrestricted Registered Instruments only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, in each case in accordance with any applicable securities laws of any State of the United States;
- (iii) it understands that the Issuer, the Guarantor, the Trustee, the Agents, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements; and
- (iv) it understands that any Bearer Notes, the Unrestricted Global Certificate and any unrestricted Individual Certificate, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”.

On or prior to the fortieth day after the relevant issue date, Instruments represented by an interest in an Unrestricted Global Certificate may be transferred to a person who wishes to hold such Instruments in the form of an interest in a Restricted Global Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the Trust Deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no

longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Certificate, as described above under “Forms of the Instruments”.

Instruments represented by an interest in a Restricted Global Certificate may also be transferred to a person who wishes to hold such Instruments in the form of an interest in an Unrestricted Global Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in the Trust Deed) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in an Instrument represented by an Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Instrument represented by a Restricted Global Certificate will, upon transfer, cease to be an interest in an Instrument represented by an Unrestricted Global Certificate and become an interest in an Instrument represented by a Restricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Instruments represented by a Restricted Global Certificate.

#### **Restricted Instruments in reliance on Rule 144A**

Under the Programme Agreement, a supplemental offering circular to this Offering Circular shall be prepared by the Issuer for use in connection with the offer and sale of Instruments in the United States in reliance on Rule 144A. Each purchaser of Restricted Registered Instruments in reliance on Rule 144A, by accepting delivery of such supplemental offering circular and this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Instruments for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Instruments or the Issuer or the Guarantor and (d) is aware, and each beneficial owner of such Instruments has been advised that the sale of the Instruments to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Instruments have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or the Guarantor or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Restricted Registered Instruments is required to, notify any purchaser of the Restricted Registered Instruments from it of the resale restrictions applicable to the Restricted Registered Instruments;
- (iii) the purchaser understands that the Restricted Global Certificate and any restricted Individual Certificate (a “**Restricted Individual Certificate**”) will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY SECURITIES LAW OF ANY STATE

OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES.

- (iv) if it is acquiring any Instruments for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (v) the purchaser understands that the Issuer, the Guarantor, the Trustee, the Agents, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Upon the transfer, exchange or replacement of a Restricted Global Certificate or a Restricted Individual Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Certificate or one or more Restricted Individual Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate will, upon transfer, cease to be an interest in a Restricted Global Certificate and become an interest in an Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Certificate.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Instruments may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## TAXATION

*The following is a general description of certain tax considerations relating to the Instruments and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective holders of Instruments who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.*

### **Taxation in Hong Kong**

#### ***Withholding Tax***

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

#### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

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

- (i) interest on the Instruments is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Instruments is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Instruments is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (“**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Instruments is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Instruments will be subject to profits tax. Sums derived from the sale, disposal or redemption of Instruments will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Instruments are acquired and disposed of, including where such activities were undertaken.

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

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

#### *Stamp Duty*

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- (i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Instruments. Stamp duty may be payable on any transfer of Registered Instruments if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Instruments, provided that either:

- (i) the Registered Instruments are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) the Registered Instruments constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Instruments it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to its value or consideration, whichever is higher. If, in the case of either the sale or purchase of such Registered Instruments, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Instruments if the relevant transfer is required to be registered in Hong Kong.

#### **Taxation in the British Virgin Islands**

Payment of principal and interest in respect of the Instruments will not be subject to income tax in the British Virgin Islands and the Instruments will not be liable to stamp duty in the British Virgin Islands. Capital gains realised with respect to the Instruments by persons who are not resident in the British Virgin Islands will not be subject to income tax in the British Virgin Islands.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in the British Virgin Islands with respect to the Instruments.

## Taxation in the PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes, and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Under the Enterprise Income Tax Law (the “**EIT Law**”), an enterprise established outside of China with a “*de facto* management body” within China is deemed a “resident enterprise”, meaning that it is treated in a manner similar to a PRC enterprise for enterprise income tax purposes. Dividends paid from one resident enterprise to another may qualify as “tax-exempt income”. The implementing rules of the EIT Law define “*de facto* management” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. A circular issued by the State Administration of Taxation on 22 April 2009, provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with a “*de facto* management body” located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. In January 2014, the State Administration of Taxation issued the Circular on the Determination of PRC Tax Resident Enterprise Subject to Criteria of “*De Facto* Management Body”, which requires a Chinese-controlled offshore-incorporated enterprise that falls within the criteria of “*de facto* management body” to make an application for the classification as a “resident enterprise”, which in turn will be confirmed by the province-level tax authority.

The Company and the Issuer are currently not treated as PRC enterprises by the relevant tax authorities. There is uncertainty as to whether the Issuer or the Company will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. If the Company or the Issuer is treated as a PRC “resident enterprise”, the Distributions the Company or the Issuer pays in respect of the Notes or Guarantee may be subject to PRC withholding tax at a rate of 10% if paid to a non-PRC resident enterprise Holder and 20% if paid to a non-PRC resident individual Holder, and any gain a Holder may realise from the transfer of the Notes, may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at a rate of up to 10% in the case of a non- PRC resident enterprise Holder and 20% in the case of a non-PRC resident individual Holder (in each case unless an applicable treaty provides otherwise).

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

## United States Federal Income Taxation

The applicable pricing supplement may contain a discussion of certain U.S. federal income tax consequences pertinent to certain Notes.



## FATCA Withholding

Sections 1471-1474 of the U.S. Internal Revenue Code, along with U.S. Treasury Department regulations promulgated thereunder, commonly known as “**FATCA**”, generally require certain non-U.S. financial institutions (“**FFIs**”) to report certain information on their account holders to the government of the United States and require such institutions to withhold 30% from all, or a portion of, certain payments made to non-compliant FFIs or other persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding. Investors may be required to provide certain information (which may include an IRS tax form) to the Issuer, or other payors.

This withholding currently applies to certain payments from sources within the United States and will apply to “foreign passthru payments” (a term not yet defined) no earlier than 1 January 2019. Proposed U.S. Treasury regulations were published that delay the effective date of withholding on payments of “foreign passthru payments” until the date that is two years after the date on which final U.S. Treasury regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the “grandfathering date”, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payments are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including the British Virgin Islands and Hong Kong) have entered into, or have announced their intention to enter into, intergovernmental agreements (or similar mutual understanding) with the United States (“**IGAs**”), which modify the way in which FATCA applies in its jurisdictions. The full impact of such agreements (and the laws implementing such an agreement in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in its jurisdictions. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, none of the Issuer, the Trustee or any of the Agents or any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and IGAs, all of which are subject to change, possibly with retroactive effect. Investors should consult their own tax advisers regarding how FATCA may affect them based on their particular circumstances.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Company as at and for the year ended 31 December 2019, have been audited by KPMG, and the interim consolidated financial statements of the Company as at and for the six months ended 30 June 2020 have been reviewed by KPMG, as stated in its report appearing in this Offering Circular.

## GENERAL INFORMATION

- (1) Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only. The issue price of Instruments listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Instruments, commence on or about the date of listing of the relevant Instruments. Instruments listed on the Hong Kong Stock Exchange will be traded in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

However, Instruments may be issued pursuant to the Programme which will not be listed on the Hong Kong Stock Exchange or any other stock exchange or will be listed on such stock exchange as the Issuer and the relevant Dealer(s) agree.

- (2) Each of the Company and the Issuer has obtained all necessary consents, approvals and authorizations in the PRC, Hong Kong and the British Virgin Islands, as applicable, in connection with the establishment of the Programme, the giving of the Guarantee relating to the Programme and the issue of the Instruments. The update of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 9 September 2020 and the Board of Directors of the Company passed on 9 September 2020.
- (3) Where applicable for a relevant Tranche of Instruments, registration will be completed by the Issuer and the Guarantor pursuant to the NDRC Circular or the Instruments will be issued within the NDRC Quota granted to the Sinochem Group and in accordance with the terms under the NDRC Quota, as set forth in the relevant Pricing Supplement. After the issuance of such relevant Tranche of Instruments, the Issuer and the Guarantor will provide the requisite information on the issuance of such Instruments to the NDRC within the time period as prescribed by the NDRC Circular or by the terms of the NDRC Quota.
- (4) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Company since 30 June 2020 and no material adverse change in the financial position or prospects of the Company since 30 June 2020 in the context of the establishment of the Programme, the giving of the Guarantee and the issue of the Instruments.
- (5) Except as disclosed in this Offering Circular, none of the Company, the Issuer nor any of the Company's subsidiaries is involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the establishment of the Programme, the giving of the Guarantee relating to the Programme and the issue of the Instruments and, so far as any of them is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.
- (6) The Instruments may be accepted for clearance through the Euroclear and Clearstream systems. In addition, the Issuer may make an application for any Restricted Registered Instruments to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Instruments will be confirmed in the relevant Pricing Supplement. The Issuer may also apply to have Instruments accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code, the CUSIP number, the CMU Instrument number and (where applicable) the identification number for any other relevant clearing system for each series of Instruments will be specified in the applicable Pricing Supplement. If the Instruments are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement. The address of

Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream is 42 Avenue JF Kennedy, L- 855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041. The address of the CMU is 55th Floor, Two International Financial Centre, 8 Finance Street, Central, Hong Kong. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

- (7) For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available, during normal business hours (being between 9:00 a.m. and 3:00 p.m.) on any weekday (Saturdays and public holidays excepted), for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Principal Paying Agent:
- (i) the Trust Deed (which includes the Guarantee, the form of the Global Notes and Global Certificates, the Notes and Securities in definitive form, the Coupons, the Receipts and the Talons);
  - (ii) the Agency Agreement;
  - (iii) the published annual reports and audited accounts of the Company on a consolidated basis for the financial year ended 31 December 2019 (the Company currently prepares audited accounts on an annual basis and does not prepare annual non-consolidated financial statements other than the balance sheet date);
  - (iv) the most recently published audited financial statements of the Company on a consolidated basis and the most recently published reviewed interim financial statements of the Company on a consolidated basis;
  - (v) a copy of this Offering Circular; and
  - (vi) any future amendments or supplements (including any Pricing Supplement) to this Offering Circular or further offering circular.

For the period of 12 months following the date of this Offering Circular, copies of the above documents (i) to (vi) will, when published, be available for inspection from the registered office of the Company. In addition to the above documents, the following documents will also be available for inspection from the registered office of the Company:

- (a) the Programme Agreement;
  - (b) the Memorandum and Articles of Association of the Issuer and the Articles of Association of the Company;
  - (c) a copy of the subscription agreement for Instruments issued on a syndicated basis that are listed on any stock exchange; and
  - (d) all reports, letters and other documents, balance sheets, valuations and statements by any expert, any part of which is extracted or referred to in this Offering Circular.
- (8) KPMG, at 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong, Certified Public Accountants and independent auditors of the Company have audited, and rendered an unqualified audit report on, the accounts of the Company on a consolidated basis for the financial year ended 31 December 2019 and reviewed, and rendered an unqualified review report on, the accounts of the Company on a consolidated basis for the six months ended 30 June 2020.

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## Directors' Report

The directors submit herewith their annual report together with the audited consolidated financial statements for Sinochem Hong Kong (Group) Company Limited (the "Company") and its subsidiaries (collectively the "Group") the year ended 31 December 2019.

### **Principal place of business**

The Company is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

### **Principal activities**

The principal activities of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries, joint ventures and associates are set out in notes 48, 19 and 20 to the consolidated financial statements, respectively.

### **Dividends**

Dividends amounting to US\$50,000,000 (equivalent to HK\$389,392,500) were declared to the immediate parent during the year ended 31 December 2019, and was paid on 23 April 2020.

Details of dividends distribution during the year are set out in note 11 to the consolidated financial statements.

### **Share capital**

Details of share capital of the Company are set out in note 38 to the financial statements. There were no movements during the year.

## **Directors**

The directors during the financial year were:

Li Lin  
Lin Yu  
Ning Gaoning

In accordance with the Company's Articles of Association, all the remaining directors shall retire and, being eligible, offer themselves for re-election.

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

## **Indemnity of directors**

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

## **Directors' interests in transactions, arrangements or contracts**

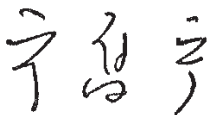
No transaction, arrangement and contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

## **Auditors**

KPMG was first appointed as auditor of the Company in 2019.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Ning Gaoning  
Director

29 June 2020





# Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (incorporated in Hong Kong with limited liability)

## Opinion

We have audited the financial statements of Sinochem Hong Kong (Group) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 9 to 137, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## Basis for opinion

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

## Key audit matters (continued)

Assessing potential impairment of goodwill	
Refer to note 17 to the consolidated financial statements and the accounting policies on note 2(g).	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2019, the Group had a goodwill of approximately HK\$2 billion which was arisen from the acquisition of subsidiaries of the real estate business segments in prior year.</p> <p>Management determined the recoverable amounts of the cash-generating unit ("CGU") to which the goodwill was allocated for annual impairment testing by preparing discounted cash flow forecasts prepared for the CGU.</p> <p>Management's impairment assessment of goodwill involves significant judgement, particularly in determining the estimated future revenue, growth rates and the discounted rates applied, all of which can be inherently uncertain.</p> <p>We identified assessing potential impairment of goodwill as a key audit matter because determining the key impairment assumptions involves a significant degree of management judgement and may be subject to management bias.</p>	<p>Our audit procedures to assess potential impairment of goodwill included the following:</p> <ul style="list-style-type: none"> <li>• assessing management's identification of the CGU and the allocation of assets and liabilities to the CGU with reference to the requirements of the prevailing accounting standards;</li> <li>• discussing future operating plans with management and comparing the estimated revenue and profit used in the discounted cash flow forecasts with the approved budget;</li> <li>• engaging our internal valuation specialists to assist us in assessing the impairment assessment methodology adopted and the discount rates used in the discounted cash flow forecasts by comparing with market and other external available information derived from companies in the similar industries;</li> <li>• evaluating the sensitivity analysis prepared by management for each of the key assumptions adopted in the discounted cash flow forecasts and considering the possibility of error or management bias;</li> </ul>



Independent auditor's report to the sole member of  
Sinochem Hong Kong (Group) Company Limited  
(continued)

*(incorporated in Hong Kong with limited liability)*

**Key audit matters (continued)**

<b>Assessing potential impairment of goodwill (continued)</b>	
<i>Refer to note 17 to the consolidated financial statements and the accounting policies on note 2(g).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
	<ul style="list-style-type: none"><li>• performing a retrospective review of last year's impairment assessment and comparing the forecast data with the current year's results to assess the reliability of management's forecasting process; and</li><li>• considering the disclosures in the consolidated financial statements in respect of the impairment assessment with reference to the requirements of the prevailing accounting standards.</li></ul>



# Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

(incorporated in Hong Kong with limited liability)

## Key audit matters (continued)

Valuation of investment properties	
Refer to note 15 to the consolidated financial statements and the accounting policies on note 2(k).	
The Key Audit Matter	How the matter was addressed in our audit
<p>The fair value of the Group's investment properties as at 31 December 2019 totalled HK\$35.95 billion which represented 9% of the Group's total assets as at that date.</p> <p>The fair value of the Group's investment properties as at 31 December 2019 was assessed by the Group based on independent valuations prepared by qualified external property valuers. The changes in fair value of investment properties recorded in the consolidated statement of comprehensive income represented 4% of the Group's profit before tax from continuing operations for the year ended 31 December 2019.</p> <p>The Group's investment properties, which are located in Hong Kong, Singapore and Mainland China, comprise shopping malls, office premises and car parks. Different valuation methodologies were applied to different types of investment properties.</p>	<p>Our audit procedures to valuation of investment properties included the following:</p> <ul style="list-style-type: none"> <li>obtaining and inspecting the valuation reports prepared by the qualified external property valuer engaged by the Group on which the Group's assessment of valuation of investment properties was based;</li> <li>assessing the qualifications of the external property valuers and their experience and expertise in the properties being valued, and considering their objectivity and independence from management;</li> <li>discussing with the external property valuers their valuation methodology and challenging the key estimates and assumptions adopted in the valuations, including the capitalisation rates, market rent, term yield and reversionary yield by comparing assumptions made in prior years with the current year's assumptions and current publicly available data, with the assistance of our internal valuation specialists;</li> </ul>



**Independent auditor's report to the sole member of  
Sinochem Hong Kong (Group) Company Limited  
(continued)**

*(incorporated in Hong Kong with limited liability)*

**Key audit matters (continued)**

<b>Valuation of investment properties (continued)</b>	
<i>Refer to note 15 to the consolidated financial statements and the accounting policies on note 2(k).</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the changes in fair value of investment properties to the Group's profit before taxation and because the valuation of investment properties can be inherently subjective and requires significant judgement and estimation, particularly in relation to the selection of the appropriate valuation methodology, market rent, capitalisation rates, term yield and reversionary yield which increases the risk of error or potential management bias.	<ul style="list-style-type: none"><li>• comparing tenancy information, including committed rents, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis; and</li><li>• considering the disclosures in the consolidated financial statements in respect of the investment properties with reference to the requirements of the prevailing accounting standards.</li></ul>



## Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

*(incorporated in Hong Kong with limited liability)*

### **Information included in the directors' report**

The directors are responsible for the other information. The other information comprises all the information included in the directors' report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the consolidated financial statements**

The directors 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 for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the consolidated financial statements**

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



## Independent auditor's report to the sole member of Sinochem Hong Kong (Group) Company Limited (continued)

*(incorporated in Hong Kong with limited liability)*

### **Auditor's responsibilities for the audit of the consolidated financial statements (continued)**

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional 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.





Independent auditor's report to the sole member of  
Sinochem Hong Kong (Group) Company Limited  
(continued)

*(incorporated in Hong Kong with limited liability)*

**Auditor's responsibilities for the audit of the consolidated financial statements  
(continued)**

- 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maggie L.T. Lee.

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

29 JUN 2020

## Consolidated statement of comprehensive income for the year ended 31 December 2019

(Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 (Note) HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	4	49,613,113	46,331,801
Cost of sales		(34,778,180)	(28,632,711)
<b>Gross profit</b>		14,834,933	17,699,090
Other income, gains and losses, net	5	6,811,199	2,916,471
Selling and distribution expenses		(1,493,265)	(1,243,634)
Administrative expenses		(3,465,547)	(2,852,406)
Fair value changes of investment properties	15	513,625	235,291
Finance costs	6	(3,438,494)	(4,054,002)
Share of profits and losses of:			
Joint ventures		820,779	436,596
Associates		(111,291)	127,754
<b>Profit before tax from continuing operations</b>	7	14,471,939	13,265,160
Income tax expense	8(a)	(4,865,840)	(5,137,082)
<b>Profit for the year from continuing operations</b>		9,606,099	8,128,078
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	10	737,739	587,630
<b>Profit for the year</b>		10,343,838	8,715,708
Attributable to:			
Owners of the parent		3,410,050	2,772,654
Non-controlling interests		6,933,788	5,943,054
<b>Profit for the year</b>		10,343,838	8,715,708

The notes on pages 25 to 137 form part of these financial statements. Details of dividends payable to equity shareholders of the Company for the year are set out in note 11.

## Consolidated statement of comprehensive income for the year ended 31 December 2019 (continued) (Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 (Note) HK\$'000 (Restated)
<b>Profit for the year</b>		<u>10,343,838</u>	<u>8,715,708</u>
<b>Other comprehensive income for the year from continuing operations</b>	9		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of foreign operations		(2,625,143)	(5,117,530)
The share of other comprehensive income of associates and joint ventures		(451,901)	(673,747)
Reclassification adjustments for foreign operations disposed of during the year		(59,220)	(45,666)
Net investment hedges, net of tax		-	3,646
Cash flow hedges, net of tax		<u>(17,005)</u>	<u>29,520</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<u>(3,153,269)</u>	<u>(5,803,777)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation, net of tax		139,615	38,786
Changes in fair value of equity investments at fair value through other comprehensive income ("FVOCI"), net of tax		<u>(148,194)</u>	<u>(334,344)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		<u>(8,579)</u>	<u>(295,558)</u>
<b>Other comprehensive income for the year from continuing operations, net of tax</b>		<u>(3,161,848)</u>	<u>(6,099,335)</u>

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of comprehensive income for the year ended 31 December 2019 (continued)

(Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 (Note) HK\$'000 (Restated)
<b>Other comprehensive income for the year from discontinued operations, net of tax</b>	10	(242,518)	(304,912)
<b>Total comprehensive income for the year</b>		<u>6,939,472</u>	<u>2,311,461</u>
Attributable to:			
Owners of the parent		2,106,597	(500,526)
Non-controlling interests		<u>4,832,875</u>	<u>2,811,987</u>
<b>Total comprehensive income for the year</b>		<u><u>6,939,472</u></u>	<u><u>2,311,461</u></u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

Comparative information has been re-presented due to discontinued operations. See notes 4(b) and 10.

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of financial position at 31 December 2019 (Expressed in Hong Kong dollars)

	Note	31 December 2019 HK\$'000	31 December 2018 (Note) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	12,215,612	15,539,294
Land under development	13	11,950,229	10,924,008
Properties under development	14	72,378,030	57,201,366
Investment properties	15	35,954,909	33,856,049
Right-of-use assets	16	1,806,467	-
Prepaid land lease payments		-	2,215,984
Goodwill	17	1,999,570	4,027,608
Intangible assets	18	55,841	674,498
Investments in joint ventures	19	12,850,159	8,857,161
Investments in associates	20	8,980,672	8,704,818
Financial assets at fair value through other comprehensive income	21	910,090	1,767,098
Amounts due from related parties	23	32,265,148	30,858,344
Deferred tax assets	37	3,084,322	2,292,500
Amounts due from non-controlling shareholders	24	1,194,261	4,137,590
Other assets	25	4,448,313	1,853,694
		<u>200,093,623</u>	<u>182,910,012</u>
<b>Current assets</b>			
Inventories	26	194,430	6,476,494
Land under development	13	2,222,109	3,537,625
Properties under development	14	68,405,597	55,320,904
Properties held for sale	27	13,154,012	10,261,498
Prepaid land lease payments		-	77,327
Trade and bills receivables	28	1,614,284	1,501,595
Contract assets	30	298,062	176,331
Prepayments, other receivables and other assets	29	33,723,298	25,126,765
Amounts due from related parties	23	50,538,604	54,647,894
Tax recoverable		4,521,497	3,408,620
Derivative financial instruments	22	-	8,303
Restricted bank balances	31(a)	8,357,301	5,087,435
Cash and cash equivalents	31(a)	20,246,622	28,319,827
Other assets	25	51,627	305,663
		<u>203,327,443</u>	<u>194,256,281</u>

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of financial position at 31 December 2019 (continued) (Expressed in Hong Kong dollars)


	Note	31 December 2019 HK\$'000	31 December 2018 (Note) HK\$'000
<b>Current liabilities</b>			
Trade and bills payables	32	21,204,715	16,511,002
Other payables and accruals	33	92,266,429	82,189,029
Derivative financial instruments	22	120,962	74,981
Interest-bearing borrowings	34	41,283,385	32,360,908
Lease liabilities	36	78,283	-
Amounts due to related parties	23	23,428,352	19,544,985
Tax payable		2,875,037	1,955,525
Provision for land appreciation tax	35	3,672,778	3,059,697
		<u>184,929,941</u>	<u>155,696,127</u>
<b>Net current assets</b>		<u>18,397,502</u>	<u>38,560,154</u>
<b>Total assets less current liabilities</b>		<u>218,491,125</u>	<u>221,470,166</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	34	87,056,469	95,883,892
Lease liabilities	36	134,365	-
Deferred tax liabilities	37	6,781,770	6,395,017
Deferred income		-	83,400
Derivative financial instruments	22	39,060	51,095
Other non-current liabilities		78,138	118,675
		<u>94,089,802</u>	<u>102,532,079</u>
<b>Net assets</b>		<u>124,401,323</u>	<u>118,938,087</u>

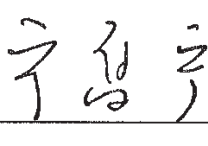
The notes on pages 25 to 137 form part of these financial statements.

**Consolidated statement of financial position**  
**at 31 December 2019 (continued)**  
(Expressed in Hong Kong dollars)

	Note	31 December 2019 HK\$'000	31 December 2018 (Note) HK\$'000
<b>Capital and reserves</b>			
Issued capital	38	24,468,400	24,468,400
Reserves		17,676,553	20,581,092
<b>Equity attributable to owners of the parent</b>		42,144,953	45,049,492
<b>Non-controlling interests</b>		82,256,370	73,888,595
<b>Total equity</b>		124,401,323	118,938,087

Approved and authorised for issue by the board of directors on 29 June 2020.

  
Director

  
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 25 to 137 form part of these financial statements.



\* These reserve accounts comprise the consolidated reserves of HK\$17,676,553,000 in the consolidated statement of financial position.

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## Consolidated statement of changes in equity for the year ended 31 December 2019 (continued) (Expressed in Hong Kong dollars)

Note	Attributable to owners of the parent												Total equity HK\$'000
	Issued capital HK\$'000	Capital reserve HK\$'000 (Note (a))	Asset revaluation reserve HK\$'000 (Note (b))	Merger reserve HK\$'000 (Note (c))	Statutory reserve HK\$'000 (Note (d))	Fair value reserve HK\$'000 (Note (e))	Translation reserve HK\$'000 (Note (f))	Other contribution reserve HK\$'000 (Note (g))	Perpetual capital securities reserve HK\$'000	Cashflow hedge reserve HK\$'000 (Note h)	Retained profits HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2018	24,488,400	(1,604,008)	572,726	(3,836,771)	3,874,941	454,505	1,665,236	2,427,365	4,619,260	(34,693)	19,407,682	61,794,168	113,808,811
Profit for the year	-	-	-	-	-	-	-	-	-	-	2,772,654	5,943,054	8,715,708
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of equity investments designated at FVOCI, net of tax	-	-	-	-	-	(351,656)	-	-	-	-	-	(15,569)	(367,225)
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-	55,725	-	(26,205)	29,520
Net investment hedges, net of tax	-	-	-	-	-	-	-	-	-	1,818	-	1,828	3,646
Gains on property revaluation, net of tax	-	-	31,094	-	-	-	-	-	-	1,818	-	7,692	38,786
Reclassification adjustments of exchange differences on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries, net of tax	-	-	-	-	-	-	(22,766)	-	-	-	-	(22,900)	(45,666)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(2,987,395)	-	-	-	-	(3,075,913)	(6,063,308)
Total comprehensive income for the year, net of tax	-	-	31,094	-	-	(351,656)	(3,010,161)	-	-	57,543	2,772,654	2,811,987	2,311,461
Issue of shares to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of share options	-	(323,229)	-	-	-	-	-	-	-	-	-	3,628,352	3,305,123
Repurchase of shares by a subsidiary under the Companies Ordinance (Cap. 622)	-	(3,722)	-	-	-	-	-	-	-	-	-	15,331	11,609
Equity-settled share-based payments of subsidiaries	-	59,446	-	-	-	-	-	-	-	-	(52,059)	(111,810)	(104,423)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	25,912	25,912
Transfer from retained profits	-	(401,214)	-	-	-	-	-	-	-	-	(401,214)	(4,203,196)	(4,604,410)
Dividends declared by the Company	-	-	-	-	697,179	-	-	-	-	-	(697,179)	-	-
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(862,353)	-	(862,353)
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	-	-	-	-	-	-	(2,862,687)	(2,862,687)
Capital contribution from non-controlling interests	-	20,765	-	-	-	-	-	-	-	-	-	7,429,855	7,450,620
Distribution paid for perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(191,325)	-	(191,325)
Distribution paid for perpetual securities issued by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(949,724)	(949,724)
Issuance of perpetual securities by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	4,591,356	4,591,356
Repurchase of subsidiaries from a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,678,561	1,678,561
Repurchase of perpetual securities from a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(11,774)	(11,774)
Repurchase of perpetual capital securities (Note k)	-	(39,410)	-	-	-	-	-	-	(4,619,260)	-	(4,658,670)	-	(4,658,670)
Capital contribution to a subsidiary of Shoptel Holdings Limited through the conversion of its shareholders' loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance and production fund	-	(54,247)	-	-	-	-	-	5,531	-	-	(54,247)	-	-
At 31 December 2018	24,488,400	(2,345,619)	603,820	(3,836,771)	4,572,120	102,849	(1,344,925)	2,432,896	-	22,850	20,373,872	73,885,595	118,938,067

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of changes in equity for the year ended 31 December 2019 (continued) (Expressed in Hong Kong dollars)

Notes:

- (a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables; (ii) contributions made by owners for the transfer of equity interest in a joint venture to the Group in previous years; and (iii) contributions made by owners to the Company's subsidiaries.
- (b) The asset revaluation reserve of the Group arose from the change in use from owner-occupied properties to investment properties carried at fair value.
- (c) The merger reserve of the Group comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies of the acquirees as consideration for the group restructuring transactions.
- (d) The statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant rules and regulations in the People's Republic of China ("PRC"), each of the Group's PRC subsidiaries is required to transfer an amount of its profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The appropriations to the reserve fund and enterprise expansion fund are determined by the articles of association of the Company's subsidiaries and are subject to the approval by the board of directors of the respective subsidiaries.
- (e) Fair value reserve comprises the cumulative net change in the fair value, of equity investments designated at FVOCI under HKFRS 9 that are held at the end of reporting period.
- (f) Translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than Hong Kong dollars which are dealt with in accordance with the accounting policies as set out in note 2(dd).
- (g) The other contribution reserve mainly comprises capital contributions, maintenance and production fund, capital contribution for energy saving and emission reduction projects, and deemed contributions from equity owners net of deemed distributions to equity owners. The maintenance and production fund is appropriated/utilised in accordance with relevant PRC regulations on certain enterprises.

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of changes in equity for the year ended 31 December 2019 (continued) (Expressed in Hong Kong dollars)

- (h) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(j).
- (i) On 26 July 2019, China Jinmao Holdings Group Limited ("Jinmao"), the Company and Ping An of China Asset Management (Hong Kong) Company Limited ("Investment Manager") entered into the Ping An Agreement pursuant to which the Company agreed to sell and the Investment Manager agreed to purchase 1,787,077,435 shares of Jinmao held by the Company at the placing price of HK\$4.8106 per share with the net proceeds of approximately HK\$8,583,740,000.

On the same day, Jinmao, the Company and New China Life Insurance Company Ltd. ("NCI") entered into the NCI Agreement pursuant to which the Company agreed to sell and NCI agreed to purchase 15,559,860 shares of Jinmao held by the Company at the placing price of HK\$4.8106 per share with the net proceeds of approximately HK\$74,852,000.

During the year ended 31 December 2019, 46,502,100 share options of Jinmao were exercised at the subscription price of HK\$2.44 per share or HK\$2.196 per share for a total cash consideration, before issue expenses, of HK\$102,024,000.

Upon completion of the above transactions, the Group's equity interest in Jinmao decreased from 49.85% on 31 December 2018 to 35.06%.

- (j) On 16 June 2016, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the domestic renewable corporate bonds with an aggregate principal amount of RMB2,000,000,000 (equivalent to approximately HK\$2,360,718,000).

On 16 June 2019, the Group redeemed all of these domestic renewable corporate bonds with a principal amount of RMB2,000,000,000 (equivalent to approximately HK\$2,272,400,000).

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of changes in equity for the year ended 31 December 2019 (continued) (Expressed in Hong Kong dollars)

- (k) On 2 May 2013, Sinochem Global Capital Co., Ltd. ("Sinochem Global Capital"), a wholly-owned subsidiary of the Group, issued subordinated guaranteed perpetual capital securities with a nominal amount of US\$600,000,000 (equivalent to HK\$4,653,720,000), which are guaranteed on a subordinated basis by the Group. The direct transaction costs attributable to the perpetual capital securities amounted to HK\$34,460,000.

The perpetual capital securities have no fixed maturity, and confer a right to the holders to receive distributions for the period from and including 2 May 2013 at the applicable rate. Sinochem Global Capital and the Company, as the issuer and the guarantor, respectively, may, at their sole discretion, elect to defer payment of distributions, in whole or in part, by giving notice to the holders of not more than ten nor less than five business days prior to a scheduled distribution payment date. The Group is not subject to any limits as to the number of times on distributions and arrears of distribution may be deferred.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual capital securities other than an unforeseen liquidation of the Group or Sinochem Global Capital. Accordingly, the perpetual capital securities are classified as equity instruments.

On 1 November 2018, Sinochem Global Capital has repurchased the perpetual capital securities with an aggregate principal amount of US\$600,000,000 (equivalent to HK\$4,653,720,000) at the total consideration of US\$600,000,000 (equivalent to HK\$4,658,670,000).

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of cash flows for the year ended 31 December 2019 (Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 (Note) HK\$'000
<b>Cash flows from operating activities</b>			
Profit before tax, including discontinued operations		15,217,698	13,809,846
Adjustments for:			
Losses/(gains) on disposal of:			
Property, plant and equipment		6,994	(7,087)
Subsidiaries	5	(1,156,681)	(85,431)
Joint ventures and associates		(874,651)	-
Gain on bargain purchase	5	(456,718)	(88,686)
Write-off of payables		(12,104)	(654)
Impairment losses on:			
Property, plant and equipment	12	15,409	-
Intangible assets	5	-	43
Prepayments for acquisition of property, plant and equipment		-	473
Impairment losses on trade and bills receivables, and other receivables		11,752	14,396
Write-down of inventories		9,725	14,469
Fair value losses/(gains) on:			
Other financial assets		13,746	(1,472)
Derivative financial instruments - transactions not qualifying as hedges	5	16,674	4,652
Ineffectiveness of net investment hedges	5	-	30,143
Transfers from properties held for sale to investment properties	5	(404,538)	(52,007)
Equity interest previously held as investments in joint ventures or associates	5	(393,398)	(120,359)
Finance costs		3,632,244	4,311,735
Share of profits and losses of joint ventures		(820,450)	(470,081)
Share of profits and losses of associates		88,157	(148,649)
Interest and investment income		(3,288,319)	(2,328,680)
Fair value changes of investment properties	15	(513,625)	(235,291)
Depreciation of:			
Property, plant and equipment	12	738,908	759,497
Right-of-use assets	16	175,345	-
Amortisation of:			
Other non-current assets		8,013	13,456
Intangible assets	18	52,799	51,628
Prepaid land lease payments		-	80,083

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of cash flows for the year ended 31 December 2019 (continued) (Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 (Note) HK\$'000
<b>Cash flows from operating activities (continued)</b>			
Adjustments for (continued):			
Dividend income from equity investments designated at FVOCI		(5,772)	(5,141)
Expenditure of separation and hand-over of water/power/gas supply and property management facilities		-	34,522
Equity-settled share-based payment expense	7	95,502	25,912
		12,156,710	15,607,317
Changes in working capital:			
Decrease in inventories		141,315	147,336
Decrease in land under development		243,182	4,249,823
Increase in properties under development		(47,776,489)	(50,203,269)
Decrease in properties held for sale		31,697,130	20,467,245
(Increase)/decrease in trade and bills receivables		(588,162)	190,886
(Increase)/decrease in prepayments, other receivables and other assets		(8,329,432)	5,008,971
Decrease/(increase) in amounts due from related parties		6,227,335	(3,454,324)
Increase in contract assets		(127,833)	(182,712)
Increase in trade and bills payables		8,756,827	3,046,612
Increase in other payables and accruals		6,759,551	6,992,168
Increase in amounts due to related parties		14,451,683	737,805
Increase in deferred income and other non- current liabilities		64,828	87,246
Cash generated from operations		23,676,645	2,695,104
Income tax paid		(2,716,651)	(4,285,772)
Land appreciation tax paid		(1,984,043)	(3,133,076)
<b>Net cash flows generated from/(used in) operating activities</b>		18,975,951	(4,723,744)

The notes on pages 25 to 137 form part of these financial statements.



## Consolidated statement of cash flows for the year ended 31 December 2019 (continued) (Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 (Note) HK\$'000
<b>Cash flows from investing activities</b>			
Interest received		2,890,077	1,044,332
Dividends received from:			
Associates		-	39,161
Joint ventures		931,684	-
Equity investments designated at FVOCI		5,772	5,141
Purchase of property, plant and equipment		(1,310,002)	(1,050,077)
Proceeds from disposal of property, plant and equipment		43,349	-
Proceeds from disposal of intangible assets	18	762	-
Additions of prepaid lease payments		(46,774)	-
Additions to investment properties	15	(784,803)	(1,341,728)
Proceeds from disposal/liquidation of joint ventures and associates		1,488,125	6,663,666
Disposal of subsidiaries	44	(123,737)	(2,585,885)
Increase in other assets and intangible assets		(29,170)	(54,329)
Acquisition of subsidiaries	43	236,950	(30,860)
Additional investments in joint ventures		(4,410,485)	(5,788,705)
Additional investments in associates		(1,810,847)	(3,262,538)
Increase in restricted bank balances and long-term deposits		(7,184,562)	(904,968)
Increase of derivative financial instruments		-	(25,535)
Payment for purchase of other financial assets		(3,845,854)	(12,974,957)
Proceeds from sale of other financial assets		4,666,925	18,561,592
Proceeds from disposal of financial assets at FVOCI		912,246	-
Increase in amounts due from related parties		(2,900,297)	(8,502,766)
(Increase)/decrease in advance of loans to non-controlling interests		(1,082,755)	1,580,068
Decrease in entrusted loans to third parties		1,579,009	1,432,982
Increase in entrustment loans to non-controlling interests of a subsidiary		(1,631,501)	-
Prepaid investment cost		(500,599)	(7,891,105)
Others		-	11,595
<b>Net cash flows used in investing activities</b>		<u>(12,906,487)</u>	<u>(15,074,916)</u>

The notes on pages 25 to 137 form part of these financial statements.

## Consolidated statement of cash flows for the year ended 31 December 2019 (continued) (Expressed in Hong Kong dollars)

	Note	2019 HK\$'000	2018 (Note) HK\$'000
<b>Cash flows from financing activities</b>			
Issue of shares to non-controlling interests		-	3,305,123
Distribution paid for perpetual securities		(1,138,763)	(1,141,049)
Issue of perpetual securities, net of issue expenses		3,192,699	4,591,356
New bank and other borrowings	31(b)	116,617,826	91,080,403
Repayment of bank and other borrowings	31(b)	(115,358,405)	(71,765,587)
Increase in other non-current liabilities	31(b)	79,534	-
Capital contribution from non-controlling interests		7,250,679	7,450,620
Dividends paid	31(b)	(391,645)	(470,708)
Dividends paid to non-controlling interests of subsidiaries	31(b)	(2,711,256)	(2,672,348)
Advance from non-controlling interests	31(b)	636,388	1,898,103
Placing of existing shares of Jinmao		8,658,592	-
Deemed distributions		(1,945,709)	-
Repayment of loans from non-controlling interests	31(b)	(8,779,212)	(1,498,226)
Interest paid	31(b)	(8,335,046)	(6,999,024)
Advance of investments from third parties	31(b)	4,658,837	1,962,481
(Decrease)/increase in amounts due to related parties	31(b)	(8,938,356)	3,958,082
Proceeds from exercise of share options		102,024	11,609
Repurchase of Jinmao's perpetual securities		-	(11,774)
Repurchase of perpetual securities		-	(4,658,670)
Redemption of perpetual securities		(2,272,400)	-
Repurchase of shares by Jinmao		-	(104,423)
Acquisition of non-controlling interests		(4,594,979)	(4,604,410)
Capital element of lease rentals paid	31(b)	(84,015)	-
Interest element of lease rentals paid	31(b)	(8,293)	-
<b>Net cash flows from financing activities</b>		<u>(13,361,500)</u>	<u>20,331,558</u>

The notes on pages 25 to 137 form part of these financial statements.

**Consolidated statement of cash flows**  
**for the year ended 31 December 2019 (continued)**  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	2019 HK\$'000	2018 (Note) HK\$'000
<b>Net (decrease)/increase in cash and cash equivalents</b>		(7,292,036)	532,898
Cash and cash equivalents at the beginning of the year	31(a)	28,319,827	27,671,639
Effect of foreign exchange rate changes, net		<u>(781,169)</u>	<u>115,290</u>
<b>Cash and cash equivalents at the end of the year</b>	31(a)	<u><u>20,246,622</u></u>	<u><u>28,319,827</u></u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 25 to 137 form part of these financial statements.

## Notes to the consolidated financial statements

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 General

Sinochem Hong Kong (Group) Company Limited (the “Company”) is a limited company incorporated in Hong Kong. Its registered office is located at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the Company’s principal subsidiaries, joint ventures and associates are set out in notes 48, 19 and 20 to the consolidated financial statements, respectively.

### 2 Significant accounting policies

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The financial information relating to the year ended 31 December 2019 included in these consolidated financial statements are not the Company’s statutory annual financial statements for the year. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

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

The Company’s auditor has yet to report on these financial statements.

## **2 Significant accounting policies (continued)**

### **(b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment properties (see note 2(k));
- derivative financial instruments (see note 2(i)); and
- other investments in debt and equity securities (see note 2(h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

### **(c) Changes in accounting policies**

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 Significant accounting policies (continued)

### HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases - incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 which remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### (i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

#### (ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to office premises as disclosed in note 46(b). For an explanation of how the Group applies lessee accounting, see note 2(o)(i).

## 2 Significant accounting policies (continued)

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (A) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (B) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (C) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 46(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK\$'000
Operating lease commitments at 31 December 2018	133,372
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019 and leases of low value assets	(20,869)
	112,503
Less: total future interest expenses	(3,061)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised at 1 January 2019	109,442



## 2 Significant accounting policies (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	<i>Carrying amount at 31 December 2018 HK\$'000</i>	<i>Capitalisation of operating lease contracts HK\$'000</i>	<i>Carrying amount at 1 January 2019 HK\$'000</i>
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>			
Right-of-use assets	-	2,396,365	2,396,365
Prepaid land lease payments (non-current)	2,215,984	(2,205,998)	9,986
<b>Total non-current assets</b>	<b>182,910,012</b>	<b>190,367</b>	<b>183,100,379</b>
Prepayments, other receivables and other assets	25,126,765	(3,598)	25,123,167
Prepaid land lease payments (current)	77,327	(77,327)	-
<b>Current assets</b>	<b>194,256,281</b>	<b>(80,925)</b>	<b>194,175,356</b>
Lease liabilities (current)	-	45,514	45,514
<b>Current liabilities</b>	<b>155,696,127</b>	<b>45,514</b>	<b>155,741,641</b>
<b>Net current assets</b>	<b>38,560,154</b>	<b>(126,439)</b>	<b>38,433,715</b>
<b>Total assets less current liabilities</b>	<b>221,470,166</b>	<b>63,928</b>	<b>221,534,094</b>
Lease liabilities (non-current)	-	63,928	63,928
<b>Total non-current liabilities</b>	<b>102,532,079</b>	<b>63,928</b>	<b>102,596,007</b>
<b>Net assets</b>	<b>118,938,087</b>	<b>-</b>	<b>118,938,087</b>

(iii) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact on profit before tax is not significant during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

## **2 Significant accounting policies (continued)**

### **(d) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions, and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group choose to measure any non-controlling interests at fair value of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the parent.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

### **(e) Associates and joint ventures**

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

## 2 Significant accounting policies (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(g) and 2(s)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are included in the Group's consolidated profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

A decrease in interest in an equity-accounted investee while maintaining equity accounting can result from a dilution. The Group's policy is to recognise any gain or loss on dilution directly in equity, except when impairment indicators exist then the Group first assesses and recognises any impairment loss in accordance with the accounting policies described in note 2(s)(ii).

### (f) *Interests in joint operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement.

## 2 Significant accounting policies (continued)

The Group recognises in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operations;
- its share of the revenue from the sale of the output by the joint operations; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

### (g) *Goodwill*

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units ("CGUs"), that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(s)(ii)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (h) *Other investments in debt and equity securities*

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 41(f). These investments are subsequently accounted for as follows, depending on their classification.

## 2 Significant accounting policies (continued)

### (i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(cc)(ix)).
- FVOCI- recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

### (ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(cc)(viii).

### (i) **Derivative financial instruments**

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(j)).

## 2 Significant accounting policies (continued)

### (j) *Hedging*

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings (cash flow hedges). Some borrowings are designated as hedges of the foreign exchange risk of a net investment in a foreign operation.

#### (i) Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a nonfinancial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

#### (ii) Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the borrowings is recognised in other comprehensive income and accumulated in equity in the translation reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

### (k) *Investment property*

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(o)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

## 2 Significant accounting policies (continued)

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(cc)(vii).

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated statement of comprehensive income.

### (I) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(s)) including the interests in leasehold land and buildings where the Group is the registered owner of the property interest (see note 2(o)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

<i>Category</i>	<i>Annual depreciation rate</i>
Hotel properties	1.70% to 9.50%
Buildings	2% to 5%
Leasehold improvements	18.00% to 20.00%
Furniture and fixtures	3.80% to 33.33%
Office and machinery equipment	7.14% to 25.00%
Motor vehicles	8.30% to 30.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.



## 2 Significant accounting policies (continued)

### (m) *Construction in progress*

Construction in progress is stated at cost less impairment losses (see note 2(s)(ii)). Cost comprises direct costs of construction as well as interest expense capitalised during the periods of construction and installation. Capitalisation of these costs ceases when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

### (n) *Intangible assets (other than goodwill)*

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(s)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Pipeline usage rights are amortised based on the units of production method;
- Mining rights are amortised based on the units of production method utilising only recoverable reserves as the depletion base; and
- Computer software is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

## 2 Significant accounting policies (continued)

### (o) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (i) As a lessee

##### (A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(s)(ii)).

## 2 Significant accounting policies (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

### (B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(cc)(vii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(o)(i), then the Group classifies the sub-lease as an operating lease.

### (p) Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

## 2 Significant accounting policies (continued)

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

### (q) *Properties under development*

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

### (r) *Properties held for sale*

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

### (s) *Credit losses and impairment of assets*

#### (i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, contract assets and loans to related parties).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

## 2 Significant accounting policies (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

### Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 2 Significant accounting policies (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

### Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

### (ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including construction in progress;
- right-of-use assets;
- goodwill;
- intangible assets;
- investments in joint ventures;
- investments in associates; and
- other non-current assets;

## 2 Significant accounting policies (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (t) Inventories and other contract costs

#### (i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the moving weighted-average method, and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.



## 2 Significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as land under development (see note 2(p)), properties under development (see note 2(q)), inventory (see note 2(t)(i)), property, plant and equipment (see note 2(l)) or intangible assets (see note 2(n)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(cc).

## **2 Significant accounting policies (continued)**

### **(u) Contract assets and contract liabilities**

A contract asset is recognised when the Group recognises revenue (see note 2(cc)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(s)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(v)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(cc)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(v)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(cc)).

### **(v) Trade and other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(s)(i)).

### **(w) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(s)(i).

### **(x) Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## 2 Significant accounting policies (continued)

### (y) *Interest-bearing borrowings*

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(ee)).

### (z) *Employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### (i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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 who are eligible to participate in the MPF Scheme. 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 subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### (ii) Share-based payments

Jinmao operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao's operations. Employees (including directors) of Jinmao receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 42 to the financial statements.

## 2 Significant accounting policies (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and Jinmao's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of Jinmao's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

### (iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

## 2 Significant accounting policies (continued)

### (aa) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(k), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

## 2 Significant accounting policies (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### **(bb) Provisions and contingent liabilities**

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### **(cc) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

## 2 Significant accounting policies (continued)

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of industrial products (including fertilisers and chemical products)

Revenue from the sale of industrial products is recognised when the customers collect the products from the Group's premises or when the products are delivered to the location designated by customers. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

The products can only be returned due to product quality issue. Because the number of return is extremely low in previous years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

(ii) Sale of completed properties

Revenue from the sale of completed properties is recognised at the point in time when control of the asset is transferred to the customer, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has obtained the right to payment and the collection of the consideration is probable.

(iii) Land development

Revenue from land development is recognised at the point in time when control of the asset is transferred to the customers, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured.



## 2 Significant accounting policies (continued)

(iv) Hotel operations

Hotel and other service income is recognised in the period in which such services are rendered.

(v) Property management services

Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis.

(vi) Design and decoration services

Revenue from the rendering of design and decoration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the design and decoration services.

(vii) Rental income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

(viii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(ix) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(s)(i)).

## 2 Significant accounting policies (continued)

### (x) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the related asset on a reasonable and systematic manner or deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

### (dd) *Translation of foreign currencies*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (ee) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

## 2 Significant accounting policies (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### **(ff) Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

### **(gg) Related parties**

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (A) has control or joint control over the Group;
  - (B) has significant influence over the Group; or
  - (C) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (A) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (B) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (C) Both entities are joint ventures of the same third party.
  - (D) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

## 2 Significant accounting policies (continued)

- (E) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (F) The entity is controlled or jointly controlled by a person identified in (i).
- (G) A person identified in (i)(A) 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).
- (H) The entity, or any member of a group of which it is apart, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### ***(hh) Segment reporting***

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3 Accounting judgements and estimates

In the application of the Group's accounting policies which are described in note 2, the directors of the Company have made judgements, estimates and assumptions concerning the future that have a significant risk of material adjustments on the amounts recognised in the consolidated financial statements within the next financial year.

### ***(a) Critical accounting judgements in applying the Group's accounting policies***

- (i) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

### 3 Accounting judgements and estimates (continued)

Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

(iii) Consolidation of an entity in which the Group holds less than a majority of voting rights

The Group considers that it controls Jinmao even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Jinmao with a 35.06% equity interest. The remaining 64.94% of the equity shares in Jinmao are widely held by many other shareholders. There has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

**(b) Sources of estimation uncertainty**

Notes 15, 17, 41(f) and 42 contain information about the assumptions and their risk factors relating to valuation of investment property, goodwill impairment, financial instruments, and fair value of share options granted. Other significant sources of estimation uncertainty are as follows:

### 3 Accounting judgements and estimates (continued)

(i) Impairment of non-financial assets other than goodwill

The Group assesses its non-financial assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable and, as a result, charges for impairment are recognised in the Group's results from time to time. Such indicators include changes in the Group's business plans, changes in commodity prices leading to sustained unprofitable performance, an increase in the discount rate, change in estimation on the future production period due to statutory requirements and approval, evidence of physical damage and significant downward revisions of estimated volumes or increases in estimated future development expenditure. If there are low fertiliser prices or marketing margins and disapproval of future productions during an extended period, the Group may need to recognise significant impairment charges.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as political risks in the locations where assets are located, future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for global or regional market supply-and-demand conditions for products.

(ii) Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Cost of land under development during the construction stage, before the final settlement of the development cost, and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2019 was HK\$14,172,338,000 (2018: HK\$14,461,633,000).

### 3 Accounting judgements and estimates (continued)

(iii) Measurement of properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in profit or loss upon recognition of the sale of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of that phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. The carrying amount of properties under development at 31 December 2019 was HK\$140,783,627,000 (2018: HK\$112,522,270,000).

(iv) PRC land appreciation tax ("LAT")

Some subsidiaries of the Group are subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. The final outcome may be different from the amounts that were initially recorded, and the differences will affect the current income tax expense and LAT provision in the period when LAT is ascertained. The carrying amount of provision for LAT at 31 December 2019 was HK\$3,672,778,000 (2018: HK\$3,059,697,000).

(v) Estimation of net realisable value of properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amount of properties held for sale at 31 December 2019 was HK\$13,154,012,000 (2018: HK\$10,261,498,000).

(vi) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets taking into account anticipated technological changes. The depreciation expenses for a future period are adjusted if there are significant changes from previous estimations.



### 3 Accounting judgements and estimates (continued)

(vii) Deferred tax assets

Deferred tax assets are recognised for all 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. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was HK\$793,653,000 (2018: HK\$457,989,000).

(viii) Deferred tax liabilities

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If these distributed earnings of the subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liabilities would have increased by the same amount of approximately HK\$1,939,682,000 (2018: HK\$1,881,584,000).

(ix) PRC Enterprise income tax

Some subsidiaries of the Group are subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of PRC income tax payable at 31 December 2019 was HK\$2,874,160,000 (2018: HK\$1,953,035,000).

(x) Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

### 3 Accounting judgements and estimates (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 28 and 30 to the consolidated financial statements, respectively.

(xi) Write-down of inventories

Determining whether inventories are written down requires an estimation of their net realisable value. Net realisable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles.

The Group reassesses these estimates at the end of each reporting period. As at 31 December 2019, the carrying amount of inventories was HK\$194,430,000 (2018: HK\$6,476,494,000).

(xii) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### 4 Revenue and segment reporting

##### (a) Revenue

The principal activities of the Group are (i) manufacturing and sales of fertilisers (see note 10, "discontinued operations"), (ii) properties and land development, property investment, hotel operations and provision of property management service, and (iii) trading of chemical products (see note 10, "discontinued operations"). Further details regarding the Group's principal activities are disclosed in note 4(b).

##### (i) Disaggregation of revenue

Disaggregation of revenue by major products or service lines is as follows:

	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
		(Restated)		(Restated)		(Restated)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>						
<b>Disaggregated by major products or service lines</b>						
Sale of fertilisers	-	-	26,076,860	27,195,457	26,076,860	27,195,457
Sale of chemical products	-	-	2,017	2,759,774	2,017	2,759,774
Sale of completed properties	37,983,635	30,265,495	-	-	37,983,635	30,265,495
Land development	4,875,423	9,628,528	-	-	4,875,423	9,628,528
Hotel operations	2,235,039	2,421,862	-	-	2,235,039	2,421,862
Property management	2,523,096	1,774,807	-	-	2,523,096	1,774,807
<b>Revenue from other sources</b>						
Gross rentals from investment properties	1,633,046	1,693,554	-	-	1,633,046	1,693,554
Others	362,874	547,555	-	-	362,874	547,555
	49,613,113	46,331,801	26,078,877	29,955,231	75,691,990	76,287,032

#### 4 Revenue and segment reporting (continued)

No revenue from a single external customer accounts for 10% or more of the Group's revenue during both years.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 4(b)(i).

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

*Sale of industrial products (including fertilisers and chemical products-discontinued operations)*

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery. Sale of goods is made in a short period of time and the performance obligation is mostly satisfied in one year or less from the end of each year.

*Sale of completed properties*

The performance obligation is satisfied upon delivery of the completed properties.

*Land development*

The performance obligation is satisfied when the land development is completed.

*Hotel operations*

The performance obligation is satisfied as services are rendered. Short-term advances are sometimes required before rendering the services.

*Property management services*

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

*Design and decoration services*

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the customer satisfaction of the service quality over a certain period as stipulated in the contracts.

#### **4 Revenue and segment reporting (continued)**

- (iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The amount of remaining performance obligation of pre-completion sales contracts for properties under development is approximately the same as the balance of contract liabilities associated to sales of properties as of 31 December 2019.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales that had an original expected duration of one year or less or are billed based on performance completed.

##### **(b) Segment reporting**

The Group organises its business activities into the following operating segments: (i) fertilisers, (ii) real estate, and (iii) others (mainly chemical product trading and securities investment).

#### 4 Revenue and segment reporting (continued)

(i) Segment results

The Group disposed of its fertilisers business in the fertilisers segment and chemical product trading business in the others segment during the year ended 31 December 2019. Accordingly, the fertilisers segment and chemical product trading business in the others segment have been classified as discontinued operations and excluded from the segment information for the continuing operations for the years ended 31 December 2019 and 2018.

The following is an analysis of the Group's revenue and results by operating segment.

	Continuing operations				Discontinued operations				Total	
	Real estate		Others		Fertilisers		Others		2019	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$ '000	(Note) HK\$ '000 (Restated)	HK\$ '000	(Note) HK\$ '000 (Restated)	HK\$ '000	(Note) HK\$ '000 (Restated)	HK\$ '000	(Note) HK\$ '000 (Restated)	HK\$ '000	(Note) HK\$ '000 (Restated)
<b>Disaggregated by timing of revenue recognition</b>										
Point in time	42,859,058	39,894,023	-	-	26,076,860	27,195,457	2,017	2,759,774	68,937,935	69,849,254
Over time	6,372,935	5,880,887	381,120	556,891	-	-	-	-	6,754,055	6,437,778
<b>Revenue from external customers</b>	49,231,993	45,774,910	381,120	556,891	26,076,860	27,195,457	2,017	2,759,774	75,691,990	76,287,032
Inter-segment revenue	29,026	30,342	1,557,517	1,889,266	-	-	18,021	18,023	1,604,564	1,937,631
Reportable segment revenue	49,261,019	45,805,252	1,938,637	2,446,157	26,076,860	27,195,457	20,038	2,777,797	77,296,554	78,224,663
<b>Reportable segment result (adjusted profit/(loss) before taxes)</b>	11,402,476	13,998,380	1,742,679	2,374,439	753,090	488,698	2,690	16,406	13,900,935	16,877,923

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

#### 4 Revenue and segment reporting (continued)

(ii) Reconciliations of reportable segment revenues and profit or loss

	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
		(Restated)		(Restated)		(Restated)
<b>Revenue</b>						
Reportable segment revenue	51,199,656	48,251,409	26,096,898	29,973,254	77,296,554	78,224,663
Elimination of inter-segment revenue	(1,586,543)	(1,919,608)	(18,021)	(18,023)	(1,604,564)	(1,937,631)
Consolidated revenue (note 4(a))	49,613,113	46,331,801	26,078,877	29,955,231	75,691,990	76,287,032
<b>Profit/(loss)</b>						
Reportable segment profit	13,145,155	16,372,819	755,780	505,104	13,900,935	16,877,923
Elimination of inter-segment profits	(1,559,668)	(1,877,872)	13	3	(1,559,655)	(1,877,869)
Consolidated profit	11,585,487	14,494,947	755,793	505,107	12,341,280	15,000,054
Interest income	3,129,987	2,085,748	158,332	242,932	3,288,319	2,328,680
Finance costs (notes 6 and 10)	(3,438,494)	(4,054,002)	(193,750)	(257,733)	(3,632,244)	(4,311,735)
Gains on disposal of subsidiaries (note 5)	1,156,681	85,431	-	-	1,156,681	85,431
Gains on disposal of joint ventures and associates	872,072	-	2,579	-	874,651	-
Gain on bargain purchase (note 5)	456,718	88,686	-	-	456,718	88,686
Share of profits and losses of:						
Joint ventures	820,779	436,596	(329)	33,485	820,450	470,081
Associates	(111,291)	127,754	23,134	20,895	(88,157)	148,649
Consolidated profit before taxation	14,471,939	13,265,160	745,759	544,686	15,217,698	13,809,846



(iii) Geographical information

	Continuing operations			Discontinued operations			Total	
	Real estate		Others	Fertilisers		Others	2019	2018
	2019	2018		2019	2018			
	HK\$ '000	HK\$ '000 (Restated)	HK\$ '000	HK\$ '000	HK\$ '000 (Restated)	HK\$ '000	HK\$ '000	HK\$ '000 (Restated)
Geographical								
Mainland China	49,231,993	45,774,910	-	25,138,510	26,056,029	2,017	74,372,520	73,553,280
Other countries/regions	-	-	381,120	938,350	1,139,428	-	1,319,470	2,733,752
Total revenue	49,231,993	45,774,910	381,120	26,076,860	27,195,457	2,017	75,691,990	76,287,032

## 5 Other income, gains and losses, net

	2019 HK\$'000	2018 HK\$'000 (Restated)
<b><u>Other income</u></b>		
Interest on bank and other deposits	662,241	555,903
Interest on other advances	2,209,205	1,385,697
Investment income on other financial assets	258,541	144,148
Government grants (note)	65,956	69,757
Default penalty income	25,335	8,680
Sundry income	434,410	400,150
	<u>3,655,688</u>	<u>2,564,335</u>
<b><u>Gains and losses</u></b>		
Losses/(gains) on disposal of:		
Property, plant and equipment	(56)	(1,434)
Subsidiaries (note 44)	1,156,681	85,431
Joint ventures and associates	872,072	-
Gain on bargain purchase (note 43)	456,718	88,686
Impairment losses on:		
Intangible assets	-	(43)
Trade and bills receivables	(7,433)	(4,377)
Prepayments, other receivables and other assets	-	(1,563)
Provision for penalty claims	-	106
Foreign exchange differences, net	(87,427)	53,122
Fair value losses/(gains), net:		
Other financial assets	(15,939)	(71)
Derivative financial instruments - transactions not qualifying as hedges	(16,674)	(4,652)
Ineffectiveness of net investment hedges	-	(30,143)
Transfers from properties held for sale to investment properties	404,538	52,007
Equity interest previously held as investments in joint ventures and associates (note 43)	393,398	120,359
Others	(367)	(5,292)
	<u>3,155,511</u>	<u>352,136</u>
Other income, gains and losses, net	<u>6,811,199</u>	<u>2,916,471</u>

Note: Government grants mainly comprised payments from the government to support the business development of the entities within the Group in accordance with applicable law and regulations in the PRC.

## 6 Finance costs

	2019	2018 (Note)
	HK\$'000	HK\$'000 (Restated)
Interest on bank and other loans, overdrafts, notes and bonds	8,315,984	7,393,177
Interest on advances from related parties	372,283	92,920
Effective interest expenses on commercial paper	-	9,676
Interest on lease liabilities	6,522	-
	<hr/>	<hr/>
Total borrowing costs	8,694,789	7,495,773
Less: Interest capitalised in properties under development and other qualifying assets	(5,286,055)	(3,496,943)
	<hr/>	<hr/>
Total interest expenses	3,408,734	3,998,830
Transaction costs	29,760	55,172
	<hr/>	<hr/>
	<u>3,438,494</u>	<u>4,054,002</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

## 7 Profit before tax from continuing operations

	2019	2018
	HK\$'000	HK\$'000 (Restated)
Cost of properties sold	28,564,125	20,836,848
Cost of land development	2,815,224	4,831,574
Cost of services provided	3,378,370	2,943,937
Depreciation of property, plant and equipment	467,038	453,761
Depreciation of right-of-use assets	159,118	-
Amortisation of intangible assets	15,233	12,719
Amortisation of prepaid land lease payments	-	64,423
Minimum lease payments under operating leases of land and buildings	-	95,194
Auditors' remuneration	8,532	10,028
Direct operating expenses arising from investment properties that generated rental income	245,765	227,111
Staff costs:		
Directors' emoluments	5,767	3,042
Wages and salaries	2,455,842	1,908,345
Equity-settled share-based payment expense	95,502	25,912
Contributions to retirement benefit schemes	141,600	149,637
	<hr/>	<hr/>

## 8 Income tax in the consolidated statement of comprehensive income

### (a) Taxation in the consolidated statement of comprehensive income represents:

	2019 HK\$'000	2018 HK\$'000 (Restated)
Hong Kong profits tax:		
Current tax	-	-
PRC tax:		
Enterprise income tax ("EIT")	3,193,019	3,770,860
Land appreciation tax ("LAT") (note 35)	2,108,305	1,735,934
Under-provision in prior years	70,807	975
	<u>5,372,131</u>	<u>5,507,769</u>
Other jurisdictions:		
Current tax	961	1,806
Over-provision in prior years	(96)	(71)
	<u>865</u>	<u>1,735</u>
Deferred taxation	<u>(507,156)</u>	<u>(372,422)</u>
Total tax charge for the year	<u><u>4,865,840</u></u>	<u><u>5,137,082</u></u>

- (i) Pursuant to the income tax rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to income tax in Bermuda and the BVI.
- (ii) The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits arising in Hong Kong for the year.
- (iii) The provision for the PRC EIT is based on the statutory rate of 25% on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year.
- (iv) According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate properties in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

**8 Income tax in the consolidated statement of comprehensive income  
(continued)**

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2019 HK\$'000	2018 HK\$'000 (Restated)
Profit before tax from continuing operations	14,471,939	13,265,160
Tax at the statutory income tax rate	3,594,294	3,462,186
LAT (note 35)	2,108,305	1,735,934
Tax effect of LAT	(527,076)	(433,983)
Withholding tax on interest income from group companies	73,264	51,157
Under-provision in prior years	70,711	904
Income not subject to tax	(626,239)	(210,546)
Expenses not deductible for tax	488,480	602,176
Tax effect of share of profits and losses of associates and joint ventures	(174,020)	(131,308)
Tax losses utilised from previous periods	(379,778)	(139,740)
Tax effect of tax losses and deductible temporary differences not recognised	237,899	200,302
Income tax expense for the year	4,865,840	5,137,082

## 9 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2019			2018		
	Before-tax amount HK\$'000	Tax expense HK\$'000	Net-of-tax HK\$'000	Before-tax amount HK\$'000	Tax expense HK\$'000	Net-of-tax HK\$'000
Exchange differences on translation of:						
- Exchange differences on translation of financial statements of foreign operations	(3,077,044)	-	(3,077,044)	(5,791,277)	-	(5,791,277)
- Reclassification adjustments for foreign operations disposed during the year	(59,220)	-	(59,220)	(45,666)	-	(45,666)
	(3,136,264)	-	(3,136,264)	(5,836,943)	-	(5,836,943)
Gain on property revaluation	175,222	(35,607)	139,615	51,044	(12,258)	38,786
Cash flow hedge: net movement in hedging reserve	(17,005)	-	(17,005)	29,520	-	29,520
Net investment hedges: net movement in hedging reserve	-	-	-	3,646	-	3,646
Changes in fair value of equity investments at FVOCI	(148,194)	-	(148,194)	(334,344)	-	(334,344)
Other comprehensive income	(3,126,241)	(35,607)	(3,161,848)	(6,087,077)	(12,258)	(6,099,335)

## 10 Discontinued operations

According to the “Response to the Approval of Assets Reorganization of Agricultural Businesses of Sinochem Group and ChemChina (Zhonghuaban [2019] No.79)” (關於同意兩化農業業務資產重組的批復(中化辦 [2019] 79 號)) approved and issued by Sinochem Group Co., Ltd. (“Sinochem Group”) and China National Chemical Corporation Ltd. (“ChemChina”), both of which are state-owned enterprises under the direct supervision and administration of State-owned Assets Supervision and Administration Commission (“SASAC”), on 30 December 2019, Sinochem Group would transfer 52.65% of the equity interests in Sinofert Holdings Limited (“Sinofert”) and 100% of equity interests in Sinochem (United Kingdom) Limited (“Sinochem UK”) to ChemChina with the benchmark date on 31 December 2018 and for a nominal consideration of US\$1, respectively. According to the share transfer agreements signed between the Company and Chem China, except for the retained earnings distributed or declared to be distributed by Sinofert and Sinochem UK prior to the execution of the share transfer agreements, all the remaining undistributed retained earnings, asset appreciations and other interests associated with the equity interests in Sinofert and Sinochem UK which were accrued by Sinofert and Sinofert UK as of the benchmark date, and the profits and losses of Sinofert and Sinochem UK during the transition period from the signing date of the share transfer agreements to the date of closing of the transfers corresponding to the equity interests in Sinofert and Sinochem UK, shall be enjoyed or assumed by Chem China.

## 10 Discontinued operations (continued)

On 30 December 2019, the Company, a subsidiary of Sinochem Group, disposed of all of its equity interests in Sinofert to China Chemical (Shanghai) Agriculture Technology Corporation Ltd., a subsidiary of ChemChina. The loss arising from the transfer of HK\$9,662,495,000 is recognised directly in equity as deemed distributions.

On 30 December 2019, the Company disposed of all of its equity interests in Sinochem UK to CNAC (HK) Holdings Company Limited., a subsidiary of ChemChina. The loss arising from the transfer of HK\$48,379,000 is recognised directly in equity as deemed distributions.

On 30 December 2019, the Group disposed of all of its equity interests in Sinochem Trading (Singapore) Pte Ltd. to Sinochem Lantian Co., Ltd., a fellow subsidiary of the Company, for a cash consideration of US\$8,542,382.57 (equivalent to HK\$66,548,000). The loss arising from the transfer of HK\$4,469,000 is recognised directly in equity as deemed distributions.

### (a) Results of discontinued operations:

	Note	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	4	26,078,877	29,955,231
Cost of sales		(23,691,137)	(27,647,294)
<b>Gross profit</b>		2,387,740	2,307,937
Other income, gains and losses, net		208,868	291,997
Selling and distribution expenses		(927,210)	(1,079,640)
Administrative expenses		(752,694)	(772,255)
Finance costs		(193,750)	(257,733)
Share of profits and losses of:			
Joint ventures		(329)	33,485
Associates		23,134	20,895
<b>Profit before tax from discontinued operations</b>		745,759	544,686
Income tax expense		(8,020)	42,944
<b>Profit for the year from discontinued operations</b>		737,739	587,630



## 10 Discontinued operations (continued)

	2019 HK\$'000	2018 HK\$'000
<b>Profit for the year from discontinued operations</b>	<u>737,739</u>	<u>587,630</u>
<b>Other comprehensive income</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of foreign operations	(149,229)	(272,031)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at FVOCI, net of tax	<u>(93,289)</u>	<u>(32,881)</u>
<b>Other comprehensive income for the year from discontinued operations, net of tax</b>	<u>(242,518)</u>	<u>(304,912)</u>
Total comprehensive income for the year from discontinued operations, net of tax	<u>495,221</u>	<u>282,718</u>

### (b) Cash flows generated from discontinued operations:

	2019 HK\$'000	2018 HK\$'000
Net cash generated from/(used in) operating activities	1,509,042	(769,935)
Net cash generated from investing activities	291,298	3,974,915
Net cash used in financing activities	(1,256,247)	(2,709,955)
Effect of foreign exchange rate changes, net	<u>(36,267)</u>	<u>(22,822)</u>
Net cash inflow	<u>507,826</u>	<u>472,203</u>

## 11 Dividends

	2019 HK\$'000	2018 HK\$'000
Dividends declared during the year	<u>389,393</u>	<u>862,353</u>

According to the board of directors' meeting, on 27 December 2019, dividends amounting to US\$50,000,000 (equivalent to HK\$389,393,000) were declared to the immediate parent, and was paid on 23 April 2020.

According to the board of directors' meetings, on 4 January 2018 and 31 December 2018, dividends amounting to US\$60,198,000 and US\$50,000,000 (equivalent to HK\$470,708,000 and HK\$391,645,000) were declared to the immediate parent respectively, among which US\$60,198,000 (equivalent to HK\$470,708,000) was paid on 4 January 2018, and US\$50,000,000 (equivalent to HK\$391,645,000) was paid on 14 May 2019.

## 12 Property, plant and equipment

	Hotel properties HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office and machinery equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 31 December 2018 and at 1 January 2019								
Cost	10,007,879	4,177,025	33,954	2,720,526	3,666,490	147,924	3,157,771	23,911,569
Accumulated depreciation and impairment	(1,970,640)	(1,734,427)	(33,954)	(1,573,508)	(2,936,762)	(101,465)	(21,519)	(8,372,275)
Net carrying amount	<u>8,037,239</u>	<u>2,442,598</u>	<u>-</u>	<u>1,147,018</u>	<u>729,728</u>	<u>46,459</u>	<u>3,136,252</u>	<u>15,539,294</u>
At 1 January 2019, net of accumulated depreciation and impairment	8,037,239	2,442,598	-	1,147,018	729,728	46,459	3,136,252	15,539,294
Additions	20,003	65,517	1,550	126,906	82,499	9,334	883,202	1,189,011
Acquisition of subsidiaries (note 43)	-	-	-	87,191	4,522	151	83,854	175,718
Transfers	(65,701)	29,205	-	65,506	134,363	-	(163,373)	-
Transfer to investment properties (note 15)	(103,859)	(537,592)	-	(7)	-	-	-	(641,458)
Transfer from properties under development (note 14)	-	126,493	-	-	-	-	-	126,493
Other disposals	(4,807)	(4,279)	(1)	(3,565)	(4,088)	(2,914)	(30,689)	(50,343)
Discontinued operations (note 10)	-	(995,447)	-	(205,717)	(493,265)	(28,108)	(950,626)	(2,673,163)
Disposal of subsidiaries (note 44)	-	-	-	-	(1,014)	(161)	-	(1,175)
Gains on property revaluation in relation to the transfers to investment properties	77,242	97,980	-	-	-	-	-	175,222
Depreciation charge for the year	(247,248)	(136,580)	(549)	(154,689)	(188,127)	(11,715)	-	(738,908)
Impairment loss	-	(6,420)	-	(176)	(8,813)	-	-	(15,409)
Others (Note iii)	-	(407,625)	-	(9,070)	(120,337)	(27)	-	(537,059)
Exchange adjustments	(170,374)	(44,728)	2	(36,205)	878	55	(82,239)	(332,611)
At 31 December 2019, net of accumulated depreciation and impairment	<u>7,542,495</u>	<u>629,122</u>	<u>1,002</u>	<u>1,017,192</u>	<u>136,346</u>	<u>13,074</u>	<u>2,876,381</u>	<u>12,215,612</u>
At 31 December 2019:								
Cost	9,770,376	897,263	28,210	2,225,971	338,294	70,009	2,876,381	16,206,504
Accumulated depreciation and impairment	(2,227,881)	(268,141)	(27,208)	(1,208,779)	(201,948)	(56,935)	-	(3,990,892)
Net carrying amount	<u>7,542,495</u>	<u>629,122</u>	<u>1,002</u>	<u>1,017,192</u>	<u>136,346</u>	<u>13,074</u>	<u>2,876,381</u>	<u>12,215,612</u>

## 12 Property, plant and equipment (continued)

	Hotel properties HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office and machinery equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 31 December 2017 and at 1 January 2018:								
Cost	10,792,168	3,916,606	35,030	2,380,893	3,725,151	161,694	3,044,568	24,056,110
Accumulated depreciation and impairment	(1,781,937)	(1,701,469)	(34,101)	(1,512,207)	(2,929,133)	(110,705)	(22,556)	(8,092,108)
Net carrying amount	9,010,231	2,215,137	929	868,686	796,018	50,989	3,022,012	15,964,002
At 1 January 2018, net of accumulated depreciation and impairment	9,010,231	2,215,137	929	868,686	796,018	50,989	3,022,012	15,964,002
Additions	20,785	51,250	-	83,278	16,763	14,386	698,007	884,469
Acquisition of subsidiaries	-	-	-	1,950	-	-	-	1,950
Transfers	(277,665)	36,212	-	404,171	124,472	(1,281)	(285,909)	-
Transfer from investment properties (note 15)	-	450,979	-	-	-	-	-	450,979
Transfer to investment properties (note 15)	-	(119,591)	-	-	-	-	-	(119,591)
Other disposals	(42,141)	(6,476)	-	(2,506)	(1,273)	(1,874)	(43,349)	(97,619)
Disposal of subsidiaries (note 44)	-	-	-	(3,413)	-	(512)	-	(3,925)
Gains on property revaluation in relation to the transfers to investment properties	-	51,044	-	-	-	-	-	51,044
Depreciation charged for the year	(279,944)	(141,478)	(975)	(154,203)	(169,987)	(12,910)	-	(759,497)
Others	-	-	-	-	-	-	(106,410)	(106,410)
Exchange adjustments	(394,027)	(94,479)	46	(50,945)	(36,265)	(2,339)	(148,099)	(726,108)
At 31 December 2018, net of accumulated depreciation and impairment	8,037,239	2,442,598	-	1,147,018	729,728	46,459	3,136,252	15,539,294
At 31 December 2018:								
Cost	10,007,879	4,177,025	33,954	2,720,526	3,666,490	147,924	3,157,771	23,911,569
Accumulated depreciation and impairment	(1,970,640)	(1,734,427)	(33,954)	(1,573,508)	(2,936,762)	(101,465)	(21,519)	(8,372,275)
Net carrying amount	8,037,239	2,442,598	-	1,147,018	729,728	46,459	3,136,252	15,539,294

- (i) In the opinion of the directors, certain ownership interests in land continue to be accounted for as property, plant and equipment as the allocation between the land and building elements cannot be made reliably.
- (ii) At the end of the reporting period, certain of the Group's property, plant and equipment with an aggregate net carrying amount of approximately HK\$332,004,000 (2018: HK\$357,948,000) were pledged to secure bank loans granted to the Group (note 34).
- (iii) The government of Fuling District in Chongqing ("the Government") and Sinofer entered into a relocation agreement ("the relocation agreement") on 6 August 2019. Pursuant to the relocation agreement, Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling"), a subsidiary of Sinofer, will relocate its factories in Nananpu, demolish the buildings, restore the land and return it to the Government no later than June 2021. In return, the Government will compensate the losses of Sinochem Fuling arising from the relocation, with a cap of RMB 1billion, after the Government receives the land.

Sinochem Fuling started demolishing the factory in November 2019. The carrying amounts of the related property, plant and equipment and also the land lease prepayment were reclassified as other long-term assets. The Group has transferred its investments in Sinofer on 30 December 2019 as disclosed in Note 10 and the carrying amounts of the related property, plant and equipment have been derecognized from the Group as at 31 December 2019.

### 13 Land under development

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2019 HK\$'000	2018 HK\$'000
Carrying amount:		
At 1 January	14,461,633	18,991,358
Additions	3,101,411	2,077,172
Recognised in profit or loss during the year	(3,073,436)	(5,866,089)
Exchange adjustments	(317,270)	(740,808)
	<hr/>	<hr/>
At 31 December	14,172,338	14,461,633
Current portion	<hr/> (2,222,109) <hr/>	<hr/> (3,537,625) <hr/>
Non-current portion	<hr/> 11,950,229 <hr/>	<hr/> 10,924,008 <hr/>

### 14 Properties under development

	2019 HK\$'000	2018 HK\$'000
Carrying amount:		
At 1 January	112,522,270	79,585,479
Additions	52,791,384	53,239,307
Acquisition of subsidiaries (note 43)	11,357,673	15,365,774
Disposal of subsidiaries (note 44)	(9,198,216)	(13,506,712)
Transfer to properties held for sale	(23,550,264)	(17,177,923)
Transfer to properties, plant and equipment (note 12)	(126,493)	-
Exchange adjustments	(3,012,727)	(4,983,655)
	<hr/>	<hr/>
At 31 December	140,783,627	112,522,270
Current portion	<hr/> (68,405,597) <hr/>	<hr/> (55,320,904) <hr/>
Non-current portion	<hr/> 72,378,030 <hr/>	<hr/> 57,201,366 <hr/>

At 31 December 2019, certain of the Group's properties included in properties under development with a net carrying amount of approximately HK\$56,086,524,000 (2018: HK\$51,276,029,000) were pledged to secure bank loans granted to the Group (note 34).

## 15 Investment properties

	2019 HK\$'000	2018 HK\$'000
Fair value:		
At 1 January	33,856,049	34,148,727
Additions	784,803	1,341,728
Fair value changes recognised in profit or loss	513,625	235,291
Transfer from property, plant and equipment (note 12)	641,458	119,591
Transfer to property, plant and equipment	-	(450,979)
Transfer from properties held for sale	918,856	52,007
Transfer from right-of-use assets (note 16)	2,199	-
Exchange adjustments	(762,081)	(1,590,316)
At 31 December	<u>35,954,909</u>	<u>33,856,049</u>

At 31 December 2019, certain of the Group's investment properties with a carrying value of HK\$14,403,217,000 (2018: HK\$14,480,989,000) were pledged to secure bank loans granted to the Group (note 34).

### (a) Fair value measurement of properties

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

## 15 Investment properties (continued)

	<i>Fair value measurement as at 31 December 2019 using</i>		
	<i>Significant observable inputs (Level 2) HK\$'000</i>	<i>Significant unobservable inputs (Level 3) HK\$'000</i>	<i>Total HK\$'000</i>
Recurring fair value measurement for: Commercial properties	403,966	35,550,943	35,954,909
	<u>403,966</u>	<u>35,550,943</u>	<u>35,954,909</u>
	<i>Fair value measurement as at 31 December 2018 using</i>		
	<i>Significant observable inputs (Level 2) HK\$'000</i>	<i>Significant unobservable inputs (Level 3) HK\$'000</i>	<i>Total HK\$'000</i>
Recurring fair value measurement for: Commercial properties	410,922	33,445,127	33,856,049
	<u>410,922</u>	<u>33,445,127</u>	<u>33,856,049</u>

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

The Group's investment properties mainly belong to Jinmao. Jinmao's investment properties consist of 17 commercial properties in Mainland China. The directors of Jinmao have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. Sixteen of Jinmao's investment properties were revalued individually on 31 December 2019 based on valuations performed by Cushman & Wakefield Limited, Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Jinmao's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

As at 31 December 2019, one of Jinmao's investment properties was a right-of-use asset relating to a building which will be leased out under one or more operating leases. This investment property was valued at approximately HK\$110,224,578 as at 31 December 2019 by Jinmao's management based on discounted cash flow method.

The Company has one investment property located in Hong Kong. The investment property was revalued on 31 December 2019 based on valuation performed by Knight Frank Petty Limited, an independent professionally qualified valuer.

Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

## 15 Investment properties (continued)

### (ii) Information about Level 3 fair value measurements

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2019	2018
Property 1 - Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield Reversionary yield Market rent (per square metre ("sqm") per annum("p.a.))	5.50% 6.00%	6.00% 6.50%
Property 2 - Sinochem Tower	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	3.00% - 5.50% 3.50% - 6.00%	3.00% - 5.50% 3.50% - 6.00%
Property 3 - Jin Mao Tower	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	3.50% - 4.50% 4.00% - 5.00%	3.50% - 4.50% 4.00% - 5.00%
Property 4 - Zhuhai Every Garden	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	5.00% - 6.25% 5.50% - 6.50%	5.50% - 6.25% 6.00% - 6.50%
Property 5 - Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	3.50% - 4.50% 4.00% - 5.00%	3.50% - 4.50% 4.00% - 5.00%
Property 6 - Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.) Rental growth p.a. Long term vacancy rate Discount rate	HK\$1,157 0.00% - 3.00% (3.00%) 8.22% 6.00%	HK\$777 0.00% - 3.00% (3.00%) 4.11% 6.00%
Property 7 - Lijiang J•LIFE	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	5.50% 5.50%	5.50% 6.00%
Property 8 - Shanghai International Shipping Service Centre	Market comparable method	Price per sqm	HK\$64,984 - HK\$102,570	HK\$67,476
Property 9 - Qingdao Jinmao Harbour Shopping Mall	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	4.00% 4.50%	4.00% 4.50%
Property 10 - Ningbo Jiayuan Plaza	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	4.00% 4.50%	4.00% 4.50%
Property 11 - Ningbo Huijin Tower	Term and reversion method	Term yield Reversionary yield Market rent (per sqm p.a.)	4.00% 4.50%	4.00% 4.50%
Property 12 - Changsha Jinmao Mall of Splendor	Discounted cash flow method	Estimated rental value (per sqm p.a.) Rental growth p.a. Long term vacancy rate Discount rate	HK\$1,365 3.00% 5.00% 6.76%	HK\$1,420 3.61% 5.00% 6.00%
Property 13 - Beijing Chaoyang Jinmao Centre Project	Residual method Term and reversion method	Developer's profit rate Reversionary yield Market rent (per sqm p.a.)	5.00% 5.00% - 5.50%	5.00% 5.00% - 5.50%
Property 14 - Nanjing Southern Hexi Yuzui Land Parcel No.G97	Residual method Term and reversion method	Developer's profit rate Reversionary yield Market rent (per sqm p.a.)	5.00% 3.00% - 6.00%	5.00% 3.00% - 6.00%
Property 15 - Hangzhou Shangtang Project	Residual method Term and reversion method	Developer's profit rate Reversionary yield Market rent (per sqm p.a.)	5.00% 2.00%	5.00% 2.00%



## 15 Investment properties (continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2019	2018
Property 16 - Wangfujing Quadrangle Courtyard	Term and reversion method	Term yield	4.00%	N/A
		Reversionary yield	4.50%	N/A
		Market rent (per sqm p.a.)	HK\$7,022	N/A
Property 17 - Jinmao Boille-Wisdom Valley Executive Apartment	Term and reversion method	Term yield	4.84%	N/A
		Reversionary yield	4.84%	N/A
		Market rent (per sqm p.a.)	HK\$756	N/A
Property 18 - Hong Kong Convention Plaza Office Building 47/F	Term and reversion method	Estimated rental value (per sq. ft/per month)	HK\$107 - HK\$109	HK\$95 - HK\$111
		Capitalisation rate	2.70%	2.60%

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase/(decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. A significant increase/(decrease) in the market rent would result in a significant increase/(decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

## 15 Investment properties (continued)

Under the market comparable method, a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis".

The market comparable method is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase/(decrease) in the price per square metre would result in a significant increase/(decrease) in the fair value of the investment properties.

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to the Group by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by the relevant parties will also be considered.

A significant increase/(decrease) in the developer's profit rate would result in a significant decrease/(increase) in the fair value of the investment properties.

## 15 Investment properties (continued)

### (b) The Group as a lessor

The Group leases out investment property under operating leases.

At 31 December 2019, the undiscounted lease payments under non-cancellable operating leases will be receivable by the Group in future periods as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	1,500,154	1,431,372
After one year but within two years	1,039,343	1,198,536
After two years but within three years	443,033	711,201
After three years but within four years	197,104	190,093
After four years but within five years	148,903	152,151
After five years	248,505	357,572
	<u>3,577,042</u>	<u>4,040,925</u>

## 16 Right-of-use assets

### (a) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	<i>Prepaid land lease payments</i> HK\$'000	<i>Office properties and staff quarters</i> HK\$'000	<i>Total</i> HK\$'000
As at 1 January 2019	2,283,325	113,040	2,396,365
Other additions	56,761	138,005	194,766
Additions as a result of acquisition of subsidiaries (note 43)	11,954	11,554	23,508
Transfer to investment properties (note 15)	(2,199)	-	(2,199)
Depreciation charge	(76,935)	(98,410)	(175,345)
Other disposals	(96,457)	-	(96,457)
Disposal of subsidiaries (note 10)	(482,054)	(4,196)	(486,250)
Exchange adjustments	(44,424)	(3,497)	(47,921)
As at 31 December 2019	<u>1,649,971</u>	<u>156,496</u>	<u>1,806,467</u>

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of HK\$159,487,000 (2018: prepaid land lease payments of HK\$170,026,000) were pledged to secure bank loans granted to the Group (note 34).

## 16 Right-of-use assets (continued)

**(b) The analysis of expense items in relation to leases recognised in profit or loss for continuing operations is as follows:**

	2019 HK\$'000	2018 HK\$'000
Depreciation charge of right-of-use assets	159,118	-
Interest on lease liabilities	6,522	-
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	7,574	-
Expense relating to leases of low-value assets	8,545	-
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	-	95,194

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 31(c) and 36, respectively.

**(c) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:**

	31 December 2019 HK\$'000	1 January 2019 HK\$'000
Ownership interests in leasehold land held for own use:	1,649,971	2,283,325
Other properties leased for own use	156,496	113,040
	1,806,467	2,396,365

## 17 Goodwill

	2019 HK\$'000	2018 HK\$'000
At 1 January:		
Cost and net carrying amount	4,027,608	4,056,810
Cost at 1 January, net of accumulated impairment	4,027,608	4,056,810
Decrease due to discontinued operations (note 10)	(2,014,752)	-
Exchange adjustments	(13,286)	(29,202)
Net carrying amount at 31 December	1,999,570	4,027,608
At 31 December:		
Cost and net carrying amount	1,999,570	4,027,608

### *Impairment testing on goodwill*

For the purposes of impairment testing, goodwill has been allocated to the CGUs of the related segments as follows:

	2019 HK\$'000	2018 HK\$'000
Fertilisers division	-	2,028,038
Real estate division	1,999,570	1,999,570
	1,999,570	4,027,608

The recoverable amounts of these CGUs have been determined on the basis of value in use calculations by estimating the future cash flows expected from these CGUs. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct cost used in the cash flow forecasts. Cash flow forecasts are based on past practices and expectations of future changes in the market.

Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific relating to the CGUs.

## 17 Goodwill (continued)

### *Real estate division*

At the end of the reporting period, the recoverable amount of the real estate division was determined based on a value in use calculation using cash flow projections based on financial budgets of 2020 covering a certain period approved by the directors of Jinmao. The after-tax discount rate applied to the cash flow projection was 9% (2018: 8.3%). Cash flows were extrapolated using a growth rate of 5% (2018: 11%) for the first two years and a steady growth rate of 3% (2018: 3%) for the following years.

The value in use calculated by using the discount rate is higher than the carrying amount of this group of CGU, and therefore, there is no impairment of the real estate division.

### *Fertilisers division*

At 31 December 2018, the recoverable amount of Sinofert was determined based on a value in use calculation using cash flow projections based on financial budgets covering a certain period approved by the directors of Sinofert. The cash flow projections was divided for Sinofert and Sinochem Yunlong.

For Sinochem Yunlong, the pre-tax discount rate was 12.8%. The growth rates for the first three years from 2019 are based on the relevant cash-generating units' past performance and management's expectation for the market development and for the following years are based on a steady growth rate of 4.9%. The value in use calculated by using the discount rate is higher than the carrying amount, and therefore, there is no impairment of Sinochem Yunlong.

Sinofert was divided into the marketing division and the production division. The after-tax discount rates were 9.6% for the marketing division and 11% for the production division. Cash flows of the marketing division were extrapolated based on the management's forecasts for the first three years and a steady growth rate of 3% for the following years. Cash flows of the production division were extrapolated based on management's forecasts for the first three years and a steady growth rate of 3% for the following years.

The value in use calculated by using the discount rate is higher than the carrying amount of this group of CGUs, and therefore, there is no impairment of the Sinofert as at 31 December 2018.

On 30 December 2019, the Company, the controlling shareholder of which is a PRC wholly state-owned enterprise under the direct supervision and administration of SASAC, disposed of all of its equity interests in Sinofert to China Chemical (Shanghai) Agriculture Technology Corporation Ltd., a subsidiary of ChemChina which is a PRC wholly state-owned enterprise under the direct supervision and administration of SASAC with the benchmark date on 31 December 2018. The Group lost control of Sinofert and the goodwill decreased by HK\$2,014,752,000 accordingly.

## 18 Intangible assets

	<i>Pipeline usage rights</i> HK\$'000	<i>Mining rights</i> HK\$'000	<i>Computer software</i> HK\$'000	<i>Total</i> HK\$'000
At 31 December 2018 and at 1 January 2019:				
Cost	202,505	876,678	147,506	1,226,689
Accumulated amortisation	(202,505)	(253,327)	(96,359)	(552,191)
Net carrying amount	-	623,351	51,147	674,498
At 1 January 2019, net of accumulated amortisation	-	623,351	51,147	674,498
Additions	-	-	21,296	21,296
Acquisition of subsidiaries (note 43)	-	-	617	617
Amortisation for the year	-	(37,566)	(15,233)	(52,799)
Other disposals	-	-	(762)	(762)
Discontinued operations (note 10)	-	(572,788)	-	(572,788)
Exchange adjustments	-	(12,997)	(1,224)	(14,221)
At 31 December 2019, net of accumulated amortisation	-	-	55,841	55,841
At 31 December 2019:				
Cost	-	-	168,127	168,127
Accumulated amortisation	-	-	(112,286)	(112,286)
Net carrying amount	-	-	55,841	55,841
	<i>Pipeline usage rights</i> HK\$'000	<i>Mining rights</i> HK\$'000	<i>Computer software</i> HK\$'000	<i>Total</i> HK\$'000
At 31 December 2017 and at 1 January 2018:				
Cost	202,505	918,926	125,485	1,246,916
Accumulated amortisation	(202,505)	(226,176)	(88,101)	(516,782)
Net carrying amount	-	692,750	37,384	730,134
At 1 January 2018, net of accumulated amortisation	-	692,750	37,384	730,134
Additions	-	-	29,000	29,000
Amortisation for the year	-	(38,909)	(12,719)	(51,628)
Impairment	-	-	(43)	(43)
Other disposals	-	-	(12)	(12)
Disposal of subsidiaries (note 44)	-	-	(184)	(184)
Exchange adjustments	-	(30,490)	(2,279)	(32,769)
At 31 December 2018, net of accumulated amortisation	-	623,351	51,147	674,498
At 31 December 2018:				
Cost	202,505	876,678	147,506	1,226,689
Accumulated amortisation	(202,505)	(253,327)	(96,359)	(552,191)
Net carrying amount	-	623,351	51,147	674,498



## 19 Joint operations and investments in joint ventures

### Investments in joint ventures

	2019 HK\$'000	2018 HK\$'000
Unlisted investments:		
Share of net assets	<u>12,850,159</u>	<u>8,857,161</u>

Notes:

- (a) The Group has discontinued the recognition of its share of loss of certain joint ventures because the share of loss of the joint ventures exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint ventures for the current year and cumulatively were HK\$396,296,000 (2018: HK\$110,768,000) and HK\$536,157,000 (2018: HK\$145,572,000), respectively.
- (b) The amounts due from/to joint ventures are disclosed in note 23 to the consolidated financial statements.
- (c) The Group has pledged certain of the equity interests in the Group's joint ventures of approximately HK\$615,827,000 (2018: Nil) to secure bank loans granted to the Group (note 34).

### Joint operations

On 11 May 2010, Jinmao entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which Jinmao and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Jin Mao, an indirect wholly-owned subsidiary of Jinmao was established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Jin Mao agreed to make a capital injection of RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, to subscribe for its new registered capital.

On 28 July 2011, Qingdao Jin Mao completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

## 19 Joint operations and investments in joint ventures (continued)

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	297	354
Properties under development	-	142,920
	<u>297</u>	<u>143,274</u>
<b>Current assets</b>		
Properties held for sale	426,590	484,251
Properties under development	105,249	-
Prepayments, other receivables and other assets	15,617	19,637
Prepaid tax	26,558	21,367
Restricted bank balances	127,796	60,357
Cash and cash equivalents	31,329	69,097
	<u>733,139</u>	<u>654,709</u>
<b>Current liabilities</b>		
Trade and bills payables	346,866	459,166
Other payables and accruals	224,465	113,363
	<u>571,331</u>	<u>572,529</u>
<b>Net current assets</b>	<u>161,808</u>	<u>82,180</u>
<b>Total assets less current liabilities</b>	<u>162,105</u>	<u>225,454</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1	-
	<u>1</u>	<u>-</u>
<b>Net assets</b>	<u>162,104</u>	<u>225,454</u>

## 19 Joint operations and investments in joint ventures (continued)

	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	33,001	477,827
Cost of sales	(26,254)	(343,816)
<b>Gross profit</b>	6,747	134,011
Other income and gains	553	1,369
Selling and marketing expenses	(1,282)	(11,910)
Administrative expenses	(5,102)	(4,696)
<b>Profit before tax</b>	916	118,774
Income tax	11,320	(63,392)
<b>Profit for the year</b>	12,236	55,382

The directors of the Company are of the opinion that no joint ventures are individually material to the Group. The following table illustrates the aggregate financial information of the Group's joint ventures under continuing operations that are not individually material:

	2019 HK\$'000	2018 HK\$'000 (Restated)
Share of the joint ventures' profit for the year	820,779	436,596
Share of the joint ventures' other comprehensive income for the year	(266,544)	(344,433)
Share of the joint ventures' total comprehensive income	554,235	92,163
Aggregate carrying amount of the Group's investments in the joint ventures	12,850,159	8,857,161

## 20 Investments in associates

	2019 HK\$'000	2018 HK\$'000
Unlisted investments:		
Share of net assets	8,980,672	8,704,818

## 20 Investments in associates (continued)

Notes:

- (a) The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were HK\$89,935,000 (2018: HK\$51,687,000) and HK\$196,040,000 (2018: HK\$110,438,000), respectively.
- (b) The amounts due from/to associates are disclosed in note 23 to the consolidated financial statements.

The directors of the Company are of the opinion that no associates are individually material to the Group. Aggregate information of associates under continuing operations that are not individually material are listed below:

	2019 HK\$'000	2018 HK\$'000 (Restated)
Share of the associates' (loss)/profit for the year	(111,291)	127,754
Share of the associates' other comprehensive income for the year	(185,357)	(329,314)
	<hr/>	<hr/>
Share of the associates' total comprehensive income	(296,648)	(201,560)
Aggregate carrying amount of the Group's investments in the associates	8,980,672	8,704,818
	<hr/>	<hr/>

## 21 Financial assets at fair value through other comprehensive income

	2019 HK\$'000	2018 HK\$'000
<b>Equity securities designated at FVOCI (non-recycling)</b>		
- Listed equity securities (note a)	891,927	1,310,424
- Unlisted equity securities (note b)	18,163	456,674
	<hr/>	<hr/>
	910,090	1,767,098
	<hr/>	<hr/>

## 21 Financial assets at fair value through other comprehensive income (continued)

### (a) Details of investments in listed equity securities are as follows:

Name	Fair value		Dividends recognised during the year		Place of Incorporation	Principal activities
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000		
China CITIC Bank International VRN Perpetual Regs	386,838	366,130	-	-	Hong Kong	Provision of financing services
Sino-Ocean Group Holding Limited	192,319	267,181	11,390	22,846	Hong Kong	Provision of investment holding, property development and property investment services
China Resources Pharmaceutical Group Limited	312,770	442,117	5,617	4,753	Hong Kong	Provision of investment holding, property development and property investment services
China Huarong Asset Management Co., Ltd.	-	107,250	907	14,165	Hong Kong	Provision of comprehensive financial services
China XLX Fertiliser Ltd.	-	127,746	-	-	Singapore	Provision of developing manufacturing and selling of compound fertiliser
	<u>891,927</u>	<u>1,310,424</u>	<u>17,914</u>	<u>41,764</u>		

During the year ended 31 December 2019, the Company disposed the following equity investments designated in fair value through other comprehensive income for strategic purposes:

Name	2019		2018	
	Fair value of investments at dates of disposal HK\$'000	Accumulated (loss)/gain on disposal HK\$'000	Fair value of investments at dates of disposal HK\$'000	Accumulated (loss)/gain on disposal HK\$'000
China Huarong Asset Management Co., Ltd.	82,643	(151,451)	-	-
Sino-Ocean Group Holding Limited	61,056	48,462	-	-
	<u>143,699</u>	<u>(102,989)</u>	<u>-</u>	<u>-</u>

## 21 Financial assets at fair value through other comprehensive income (continued)

### (b) Details of investments in unlisted equity securities are as follows:

Name of company	Fair value at 31 December 2019 HK\$'000	Fair value at 31 December 2018 HK\$'000	Place of incorporation/ establishment	Percentage of ownership interest	Principal activity
Sinochem Petroleum Netherlands Cooperatief U.A.	18,163	18,163	Netherlands	0.1019%	Exploration and production of crude oil
Fujian Shan Chuan Club Co., Ltd	-	-	the PRC	5.00%	Property development and management
Guizhou Kailin Group Co., Ltd.	-	435,045	the PRC	2.79%	Fertiliser manufacture and sale
Yimu Railway Co., Ltd.	-	3,466	the PRC	1.15%	Rail freight transportation
	<u>18,163</u>	<u>456,674</u>			

The above unlisted investments represent investments in unlisted shares issued by private entities. No dividends were received on such investments during the year (2018: Nil).

### (c) The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

For the year ended 31 December 2019, the gross loss in respect of the Group's equity investments designated at FVOCI recognised in other comprehensive income amounted to HK\$241,483,000 (2018: HK\$367,225,000).

## 22 Derivative financial instruments

	2019		2018	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	-	39,060	967	37,429
Forward currency contracts	-	282	-	-
Cross currency interest rate swaps	-	111,342	-	88,647
Other derivative financial instruments	-	9,338	7,336	-
	-	160,022	8,303	126,076
Current portion	-	(120,962)	(8,303)	(74,981)
Non-current portion	-	39,060	-	51,095

Transactions of derivative financial instruments of the Group were conducted with creditworthy banks.

## 22 Derivative financial instruments (continued)

### Cash flow hedge - Interest rate risk and foreign currency risk

At 31 December 2019, Jinmao had interest rate swap agreements in place with a notional amount of HK\$1,920,000,000 whereby it pays interest at fixed rates ranged from 3.81% to 4.45% and receives interest at variable rates equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.45% to 1.65% on the notional amount. The swaps are being used to hedge the interest rate risk exposure of floating rate unsecured bank loan with aggregate face value of HK\$1,920,000,000.

At 31 December 2019, Jinmao had a cross currency interest rate swap agreement in place with notional amounts of US\$250,000,000 and HK\$1,960,350,000 whereby it pays interest at a fixed rate of 3.45% and pays HK\$1,960,350,000 on the maturity date, and receives interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.1% and receives US\$250,000,000 on the maturity date. The swap is being used to hedge the interest rate risk exposure of a floating rate unsecured bank loan with face value of US\$250,000,000.

At 31 December 2019, Jinmao had a cross currency interest rate swap agreement in place with notional amounts of JPY2,000,000,000 and HK\$145,137,881 whereby it pays interest at a variable rate equal to LIBOR plus 1.62% and pays HK\$145,137,881 on the maturity date, and receives interest at a variable rate equal to LIBOR plus 1% and receives JPY2,000,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with a face value of JPY2,000,000,000.

At 31 December 2019, Jinmao had a foreign currency forward contract in place with notional amounts of US\$94,380,000 and HK\$735,503,340 whereby it pays HK\$735,503,340 on the maturity date, and receives US\$94,380,000 on the maturity date. The foreign currency forward contract is being used to hedge the foreign currency risk exposure to the unsecured bank loan with a face value of US\$94,380,000.

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with a notional amount of 250,000,000 in Swiss Franc ("CHF") and US\$268,240,000 whereby it pays interest at a fixed rate of 3.49% and pays US\$268,240,000 on the maturity date, and receives interest at a fixed rate of 0.76% and receives CHF250,000,000 on the maturity date. The swap is being used to hedge the foreign currency risk exposure to an unsecured loan with a face value of CHF250,000,000.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the swaps and foreign currency forward contracts match the terms of the variable rate foreign currency denominated bank loans (i.e., notional amount, maturity, payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the swaps and foreign currency forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

## 22 Derivative financial instruments (continued)

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted payments and the hedging instruments;
- Different interest rate curves applied to discount the hedged items and hedging instruments;
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items;
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

## 23 Amounts due from/to related parties

	31 December 2019 HK\$'000	31 December 2018 HK\$'000
<b>Current:</b>		
<u>Amounts due from related parties</u>		
Amounts due from associates (note a)	14,690,188	18,518,703
Amounts due from joint ventures (note b)	23,553,494	24,222,480
Amounts due from fellow subsidiaries (note c)	3,893,147	4,393,630
Amounts due from related parties	66,549	-
Amounts due from the ultimate parent	313	9,835
Amounts due from the immediate parent (note d)	6,731,987	7,214,650
Amounts due from associates of the Group's ultimate parent	-	288,596
Amounts due from a substantial shareholder (note e)	1,602,926	-
	<u>50,538,604</u>	<u>54,647,894</u>
<b>Non-current:</b>		
<u>Amounts due from related parties</u>		
Amounts due from associates (note a)	1,412,694	-
Amounts due from joint ventures (note b)	7,733,547	2,245,337
Amounts due from fellow subsidiaries	71,887	274,152
Amounts due from the immediate parent	23,047,020	28,338,855
	<u>32,265,148</u>	<u>30,858,344</u>



## 23 Amounts due from/to related parties (continued)

	31 December 2019 HK\$'000	31 December 2018 HK\$'000
<b>Current:</b>		
<u>Amounts due to related parties</u>		
Amounts due to joint ventures	6,851,314	3,320,601
Amounts due to the ultimate parent	2,318	39,558
Amounts due to associates	5,505,160	3,072,986
Amounts due to the immediate parent (note f)	8,672,397	7,133,810
Amounts due to fellow subsidiaries (note g)	2,281,815	5,876,408
Amounts due to associates of the Group's ultimate parent	2,990	101,622
Amounts due to a substantial shareholder	112,358	-
	<u>23,428,352</u>	<u>19,544,985</u>

### Notes:

The amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

- (a) The current balances of amounts due from associates as at 31 December 2019 included the amounts of HK\$7,196,109,000 (2018: HK\$8,029,079,000) which bear interest at rates ranging from 4.35% to 10.00% per annum.

The non-current balances amounts due from associates as at 31 December 2019 included the amounts of HK\$1,412,694,000 (2018: Nil) which bear interest at a rate of 8.00% per annum.

- (b) The current balances of amounts due from joint ventures as at 31 December 2019 included the amounts of HK\$13,006,905,000 (2018: HK\$14,024,322,000) which bear interest at rates ranging from 2.00% to 10.00% per annum.

The non-current balances amounts due from joint ventures as at 31 December 2019 included the amounts of HK\$7,733,547,000 (2018: HK\$2,245,337,000) which bear interest at a rate of 8.00% per annum.

- (c) The current balances of amounts due from fellow subsidiaries as at 31 December 2019 included the amounts of HK\$2,271,681,000 (2018: HK\$3,539,420,000) which bear interest at rates ranging from 2.50% per annum.

- (d) The current balances of the amounts due from the immediate parent included the amounts of HK\$5,145,495,000 (2018: HK\$5,173,572,000) and HK\$1,495,842,000 (2018: HK\$958,685,000), which bear interest at 3-month LIBOR plus 50 basis points and 1.5% per annum, respectively.

- (e) The amounts due from a substantial shareholder are unsecured, bear interest at rates ranging from 2.175% to 2.75% per annum and repayable on demand.

## 23 Amounts due from/to related parties (continued)

The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand, except for the following:

- (f) The current balances of amounts due to the immediate parent as at 31 December 2019 included the amounts of HK\$8,137,827,000 (2018: HK\$559,233,000) which bear at rates ranging from 1.50% to 4.35% per annum.
- (g) The current balances of amounts due to fellow subsidiaries as at 31 December 2019 included the amounts of HK\$1,557,560,000 (2018: Nil) which bear interest at a rate of 4.5% per annum.

## 24 Amounts due from non-controlling shareholders

The non-current balances of amounts due from non-controlling shareholders are unsecured, bear interest at rates ranging from 2.18% to 4.75% per annum and are not repayable within one year.

## 25 Other assets

	2019 HK\$'000	2018 HK\$'000
Advance payments for acquisition of items of property, plant and equipment	-	70,264
Other receivables (note a)	401,420	342,390
Other non-current assets	-	26,649
Other financial assets (note b)	414,730	1,720,054
Long-term time deposit (note 31(a))	3,683,790	-
	<hr/>	<hr/>
At 31 December	4,499,940	2,159,357
Current portion	(51,627)	(305,663)
	<hr/>	<hr/>
Non-current portion	4,448,313	1,853,694
	<hr/>	<hr/>

- (a) As at 31 December 2019, the other receivables included a pledged deposit of HK\$274,610,000 (2018:HK\$342,390,000) made to a local government for performance guarantee, which is not repayable within one year.

## 25 Other assets (continued)

(b) Set out below is the information about other financial assets:

	2019 HK\$'000	2018 HK\$'000
Non-current portion		
Unlisted equity investments at fair value through profit or loss	256,749	205,434
Other unlisted investments at fair value through profit or loss	106,354	1,208,957
	<u>363,103</u>	<u>1,414,391</u>
Current portion		
Listed equity investments at fair value through profit or loss	50,425	77,490
Other unlisted investments at fair value through profit or loss	1,202	228,173
	<u>51,627</u>	<u>305,663</u>
	<u>414,730</u>	<u>1,720,054</u>

The balance of the non-current portion of unlisted equity investments at 31 December 2019 was classified as financial assets at fair value through profit or loss.

The balance of the non-current portion of other unlisted investments as at 31 December 2019 represented wealth management products with original maturity of over one year when acquired from banks.

The balance of the current portion of listed equity investments at 31 December 2019 was classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The balance of the current portion of other unlisted investments as at 31 December 2019 included wealth management products with original maturity within one year when acquired from banks of HK\$1,202,000 (2018: HK\$2,510,000) and trust schemes issued by China Foreign Economy and Trade Trust Co. Ltd., a fellow subsidiary of the Company of Nil (2018: HK\$225,663,000).

## 26 Inventories

	2019 HK\$'000	2018 HK\$'000
Raw materials	176,045	555,318
Work in progress	-	60,431
Finished goods	3,132	5,807,828
Consumables	15,253	52,917
	<u>194,430</u>	<u>6,476,494</u>

## 27 Properties held for sale

At 31 December 2019, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately HK\$147,911,000 (2018: HK\$160,677,000) were pledged to secure bank loans granted to the Group (note 34).

## 28 Trade and bills receivables

	2019 HK\$'000	2018 HK\$'000
Trade receivables	1,632,362	955,687
Impairment allowance	(18,078)	(14,069)
	<u>1,614,284</u>	<u>941,618</u>
Bills receivable	-	559,977
Total trade and bills receivables	<u>1,614,284</u>	<u>1,501,595</u>

As at the end of the reporting period, the ageing analysis of trade and bills receivables net of loss allowance presented based on the invoice date is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 3 months	1,405,846	887,146
3 to 6 months	58,526	183,938
6 to 12 months	76,624	93,283
Over 12 months	73,288	337,228
	<u>1,614,284</u>	<u>1,501,595</u>

## 28 Trade and bills receivables (continued)

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

The Group has pledged trade and bills receivables of approximately HK\$28,481,000 (2018: HK\$26,180,000) to secure bank loans granted to the Group (note 34).

## 29 Prepayments, other receivables and other assets

	2019 HK\$'000	2018 HK\$'000
Prepayments	9,497,545	6,343,864
Deposits	6,359,230	1,465,227
Other receivables	10,776,192	14,265,461
Due from non-controlling interests (note a)	6,999,109	2,281,711
Entrusted loans to third parties	-	684,780
Contract costs (note b)	94,226	147,418
	<u>33,726,302</u>	<u>25,188,461</u>
Impairment allowance (note c)	(3,004)	(61,696)
Total	<u>33,723,298</u>	<u>25,126,765</u>

### Notes:

- (a) The amounts due from non-controlling interests are unsecured, interest-free and repayable within one year, except for the amounts of HK\$4,642,551,000 in aggregate, which bear interest at rates ranging from 0.35% to 4.35% per annum (2018: HK\$2,281,711,000 in aggregate, which bore interest at rates ranging from 0.35% to 2.375% per annum).
- (b) The contract costs represent primarily sale commission and stamp duty paid/payable as a result of obtaining the property sale contracts. These amounts would be amortised when the related revenue are recognised.

## 29 Prepayments, other receivables and other assets (continued)

(c) The movement in the loss allowance during the year is as follows:

	2019 HK\$'000	2018 HK\$'000 (Restated)
At 1 January	61,696	56,781
Impairment losses recognised-continuing operations (note 5)	-	1,563
Impairment losses recognised-discontinued operations	-	6,649
Amounts written off as uncollectible	-	(2,521)
Disposal of subsidiaries	(58,363)	-
Exchange adjustments	(329)	(776)
	<hr/>	<hr/>
At 31 December	3,004	61,696

## 30 Contract assets

	2019 HK\$'000	2018 HK\$'000
Contract assets arising from:		
Design and decoration services	298,062	176,331

Contract assets are initially recognised for other revenue earned from the design and decoration services as the receipt of consideration is conditional on successful completion of services. Included in contract assets for design and decoration services are retention receivables. Upon completion of design and decoration services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing provision of design and decoration services.

The expected timing of recovery or settlement for contract assets as at 31 December 2019 and 2018 is within one year.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and 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.

### 30 Contract assets (continued)

The Group performs impairment assessment under ECL model on contract assets based on shared credit risk characteristics by reference to repayment history and past due status of customers and forward looking information. Given the Group has not experienced any significant credit losses in the past, the directors of the Group assess that the loss allowance is insignificant.

### 31 Cash and bank balances

#### (a) Reconciliation of cash and bank balances to cash and cash equivalents

	2019 HK\$'000	2018 HK\$'000
Cash and bank balances	20,092,902	27,435,841
Time deposits	12,194,811	5,971,421
	<u>32,287,713</u>	<u>33,407,262</u>
Less: Restricted bank balances	8,357,301	5,087,435
Less: Long-term time deposit (note i)	3,683,790	-
Cash and cash equivalents (note ii)	<u>20,246,622</u>	<u>28,319,827</u>

Note:

- (i) The Group's long-term time deposit of HK\$3,683,790,000 (2018: Nil) is placed with Sinochem Group Finance Co., Ltd., a fellow subsidiary of the Company, has a term of 2 years with a fixed rate of 3.15% per annum.
- (ii) Cash and cash equivalents comprise cash at banks and cash held by the Group bearing interest at prevailing market rates.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

#### (b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

### 31 Cash and bank balances (continued)

	Bank and other borrowings HK\$'000	Payable to non-controlling interests HK\$'000	Other payables and accruals excluding payable to non-controlling interests HK\$'000	Amounts due to related parties HK\$'000	Other non-current liabilities HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
<b>At 31 December 2018</b>	128,244,800	15,091,963	67,097,066	19,544,985	118,675	-	230,097,489
Impact on initial application of HKFRS 16 (Note 2)	-	-	-	-	-	109,442	109,442
<b>At 1 January 2019</b>	128,244,800	15,091,963	67,097,066	19,544,985	118,675	109,442	230,206,931
New bank and other borrowings	116,617,826	-	-	-	-	-	116,617,826
Repayment of bank and other borrowings	(115,358,405)	-	-	-	-	-	(115,358,405)
Advance from non-controlling interests	-	636,388	-	-	-	-	636,388
Dividends paid to non-controlling interests of subsidiaries	-	(2,711,256)	-	-	-	-	(2,711,256)
Repayment of loans from non-controlling interests	-	(8,779,212)	-	-	-	-	(8,779,212)
Advance of investments from third parties	-	-	4,658,837	-	-	-	4,658,837
Interest paid	-	-	(8,335,046)	-	-	-	(8,335,046)
Dividends paid	-	-	-	(391,645)	-	-	(391,645)
Capital element of lease rentals paid	-	-	-	-	-	(84,015)	(84,015)
Interest element of lease rentals paid	-	-	-	-	-	(8,293)	(8,293)
Decrease in amounts due to related parties	-	-	-	(8,938,356)	-	-	(8,938,356)
Increase in other non-current liabilities	-	-	-	-	79,534	-	79,534
<b>Net cash flows from financing activities</b>	1,259,421	(10,854,080)	(3,676,209)	(9,330,001)	79,534	(92,308)	(22,613,643)
Increase in lease liabilities from entering into new leases during the year	-	-	-	-	-	188,745	188,745
Interest expenses	-	-	3,098,590	372,283	-	8,116	3,478,989
Interest capitalised in properties under development and other qualifying assets	-	-	5,430,315	-	-	-	5,430,315
Dividends declared	-	2,631,253	-	389,393	-	-	3,020,646
Increase arising from acquisition of subsidiaries	7,590,526	-	19,439,242	-	-	10,062	27,039,830
Decrease arising from discontinued operations	(2,679,120)	-	(3,169,562)	(1,790,580)	(103,067)	(4,260)	(7,746,589)
Decrease arising from disposal of subsidiaries	(4,981,513)	-	(7,868,229)	-	-	-	(12,849,742)
Other changes	110,493	(1,356,414)	7,033,210	14,451,683	(11,236)	-	20,227,736
	40,386	1,274,839	23,963,566	13,422,779	(114,303)	202,663	38,789,930
Net foreign exchange differences	(1,204,753)	(97,010)	(533,706)	(209,411)	(5,768)	(7,149)	(2,057,797)
<b>At 31 December 2019</b>	128,339,854	5,415,712	86,850,717	23,428,352	78,138	212,648	244,325,421

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).



### 31 Cash and bank balances (continued)

	Bank and other borrowings HK\$'000	Payable to non-controlling interests HK\$'000	Other payables and accruals excluding payable to non-controlling interests HK\$'000	Amounts due to related parties HK\$'000	Total HK\$'000
<b>At 1 January 2018</b>	114,917,432	10,642,579	63,732,687	17,619,355	206,912,053
New bank and other borrowings	91,080,403	-	-	-	91,080,403
Repayment of bank and other borrowings	(71,765,587)	-	-	-	(71,765,587)
Advance from non-controlling interests	-	1,898,103	-	-	1,898,103
Dividends paid to non-controlling interests of subsidiaries	-	(2,672,348)	-	-	(2,672,348)
Repayment of loans from non-controlling interests	-	-	(1,498,226)	-	(1,498,226)
Advance of investments from third parties	-	-	1,962,481	-	1,962,481
Interest paid	-	-	(6,912,674)	(86,350)	(6,999,024)
Dividends paid	-	-	-	(470,708)	(470,708)
Increase in amounts due to related parties	-	-	-	3,958,082	3,958,082
<b>Net cash flows from financing activities</b>	19,314,816	(774,245)	(6,448,419)	3,401,024	15,493,176
Interest expense	-	-	4,153,967	92,920	4,246,887
Interest capitalised in properties under development and other qualifying assets	-	-	3,497,913	-	3,497,913
Dividends declared	-	2,863,687	-	862,353	3,726,040
Increase arising from acquisition of subsidiaries	385,433	-	13,100,289	-	13,485,722
Decrease arising from disposal of subsidiaries	(3,338,423)	-	(11,880,462)	-	(15,218,885)
Other changes	29,669	2,969,925	331,108	(2,019,195)	1,311,507
	(2,923,321)	5,833,612	9,202,815	(1,063,922)	11,049,184
Net foreign exchange differences	(3,064,127)	(609,983)	609,983	(411,472)	(3,475,599)
<b>At 31 December 2018</b>	128,244,800	15,091,963	67,097,066	19,544,985	229,978,814

**(c) Total cash outflow for leases:**

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2019 HK\$'000
Within operating cash flows	43,039
Within financing cash flows	92,308
	<u>135,347</u>

## 32 Trade and bills payables

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	20,467,705	15,615,481
Over one year	737,010	895,521
	<u>21,204,715</u>	<u>16,511,002</u>

## 33 Other payables and accruals

	2019 HK\$'000	2018 HK\$'000
Other payables	13,122,501	9,516,497
Receipt in advances	124,248	141,696
Accruals	272,941	484,681
Due to non-controlling interests (note a)	5,415,433	15,064,894
Contract liabilities (note b)	72,176,640	56,954,192
Dividend payable to non-controlling interests	279	27,069
Deferred revenue	1,154,387	-
	<u>92,266,429</u>	<u>82,189,029</u>

Notes:

(a) The amounts due to non-controlling interests as at 31 December 2019 were unsecured, interest-free and repayable on demand, except for the amounts of HK\$3,713,810,000 (2018: HK\$10,239,174,000) in aggregate, which bore interest at rates ranging from 3.43% to 10.00% per annum.

(b) Details of contract liabilities as at 31 December 2019 and 2018 were as follows:

	2019 HK\$'000	2018 HK\$'000
<i>Short-term advances received from customers</i>		
Sale of industrial products	-	3,350,460
Sale of properties	71,813,568	53,394,456
Hotel operations	108,244	97,286
Property management	254,828	111,990
	<u>72,176,640</u>	<u>56,954,192</u>
Total contract liabilities	<u>72,176,640</u>	<u>56,954,192</u>

### 33 Other payables and accruals(continued)

Contract liabilities include short-term advances received to deliver completed properties and land development assets, render hotel operations, design and decoration services and management services. The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the sales of properties during the year.

### 34 Interest-bearing borrowings

	2019 HK\$'000	2018 HK\$'000
<b>Current:</b>		
Bank loans, secured (note a)	2,376,045	3,130,586
Bank loans, unsecured	12,831,577	14,286,815
Guaranteed senior notes, unsecured (note b)	11,519,606	-
Notes issued under the medium-term note programme (note c)	-	3,758,081
Domestic corporate bonds, unsecured (note d)	506,831	-
Bonds (note e)	5,554,943	3,455,725
Notes, unsecured	-	798,910
Other loans (note f)	8,494,383	6,930,791
	<u>41,283,385</u>	<u>32,360,908</u>
	2019 HK\$'000	2018 HK\$'000
<b>Non-current:</b>		
Bank loans, secured (note a)	12,708,881	9,444,135
Bank loans, unsecured	16,363,760	17,671,777
Guaranteed senior notes, unsecured (note b)	19,494,187	25,611,178
Notes issued under the medium-term note programme (note c)	5,787,260	5,743,636
Domestic corporate bonds, unsecured (note d)	4,241,940	517,066
Bonds (note e)	3,368,046	9,112,567
Other loans (note f)	25,092,395	27,783,533
	<u>87,056,469</u>	<u>95,883,892</u>

### 34 Interest-bearing borrowings (continued)

	2019 HK\$'000	2018 HK\$'000
Within one year	41,283,385	32,360,908
In the second year	23,741,981	35,668,358
In the third to fifth years, inclusive	43,296,096	50,338,829
Beyond five years	20,018,392	9,876,705
	<u>128,339,854</u>	<u>128,244,800</u>

Notes:

(a) The Group's bank loans are secured by:

- (i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of HK\$332,004,000 (2018: HK\$357,948,000);
- (ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of HK\$56,086,524,000 (2018: HK\$51,276,029,000);
- (iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK\$147,911,000 (2018: HK\$160,677,000);
- (iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of HK\$14,403,217,000 (2018: HK\$14,480,989,000);
- (v) mortgages over certain of the Group's right-of-use assets, which had an aggregate carrying amount at the end of the reporting period of HK\$159,487,000 (2018: prepaid land lease payments HK\$170,026,000);
- (vi) mortgages over certain of the Group's trade and bills receivables, which had an aggregate carrying amount at the end of the reporting period of HK\$28,481,000 (2018: HK\$26,180,000);
- (vii) the pledge of certain of the equity interests in the Group's joint ventures, which had an aggregate carrying amount at the end of the reporting period of HK\$615,827,000 (2018: Nil); and
- (viii) the pledge of certain of the equity interests in the Group's subsidiaries, which had an aggregate carrying amount at the end of the reporting period of Nil (2018: HK\$643,314,000).

### **34 Interest-bearing borrowings (continued)**

- (b) On 4 November 2010, Sinochem Overseas Capital Company Limited, a wholly-owned subsidiary of the Group, issued US\$1,500,000,000 4.5% guaranteed senior notes due 2020 (the "2020 Notes") and US\$500,000,000 6.3% guaranteed senior notes due 2040 (the "2040 Notes"). The 2020 Notes and the 2040 Notes are unsecured.

On 15 April 2011, Jinmao Development Limited, a wholly-owned subsidiary of Jinmao, issued US\$500,000,000 6.75% guaranteed senior notes due 2021 (the "2021 Notes"). The 2021 Notes are unsecured, bear interest at a rate of 6.75% per annum and will mature on 15 April 2021.

On 21 August 2013, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US\$200,000,000 6.40% guaranteed senior notes due 2022 (the "2022 Notes"). The 2022 Notes are unsecured, bear interest at a rate of 6.40% per annum and will mature on 27 April 2022.

On 3 March 2017, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US\$500,000,000 5.75% guaranteed senior notes due 2022 (the "2022 Notes"). The 2022 Notes are unsecured, bear interest at a rate of 3.60% per annum and will mature on 3 March 2022.

On 8 March 2018, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued RMB1,250,000,000 5.20% guaranteed senior notes due 2021 (the "2021 Notes"). The 2021 Notes are unsecured, bear interest at a rate of 5.20% per annum and will mature on 8 March 2021.

On 24 June 2019, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US\$250,000,000 4.00% guaranteed senior notes due 2024 ("the 2024 Notes"). The 2024 Notes are unsecured, bear interest at a rate of 4.00% per annum and will mature on 24 June 2024.

On 23 July 2019, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US\$500,000,000 4.25% guaranteed senior notes due 2029 ("the 2029 Notes"). The 2029 Notes are unsecured, bear interest at a rate of 4.00% per annum and will mature on 23 July 2029.

- (c) Sinochem Offshore Capital Company Limited, a wholly-owned subsidiary of the Company, established a US\$3,000,000,000 Medium-Term Note Programme on 17 April 2014. According to the programme, the notes to be issued under the programme are unsecured and guaranteed on an unsubordinated basis by the Company. On 28 April 2017, Sinochem Offshore Capital Company Limited updated the programme to US\$5,000,000,000. On 29 April 2014, 10 September 2014, 17 June 2015, 24 May 2017 and 14 February 2018, Sinochem Offshore Capital Company Limited issued US\$500,000,000 3.25% senior guaranteed notes (have been fully settled during the year ended 31 December 2019), RMB300,000,000 4.00% senior guaranteed notes (due 2021), CHF250,000,000 0.76% senior guaranteed notes (due 2022), US\$300,000,000 3.12% senior guaranteed notes (due 2022) and RMB1,000,000,000 4.40% senior guaranteed notes (due 2021) under this programme, respectively.

### 34 Interest-bearing borrowings (continued)

- (d) On 10 December 2015, Jinmao Investment Management (Shanghai) Co., Ltd. (formerly known as Franshion Properties Investment Management (Shanghai) Co., Ltd.) ("Jinmao Investment"), a wholly-owned subsidiary of Jinmao, issued five-year domestic corporate bonds with an aggregate principal amount of RMB2,200,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.55% for the first three years based on the book-building process with the lead underwriters. The final coupon rate of the corporate bonds was adjusted to 3.90% at the end of the third year from 9 December 2018. Jinmao has bought back RMB1,745,972,000 of the domestic corporate bonds in year 2018.

On 22 February 2019, Jinmao Investment, a wholly-owned subsidiary of Jinmao, issued five year domestic corporate bonds with an aggregate principal amount of RMB1,800,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.72% for the first three years based on the book-building process with the lead underwriters.

On 28 August 2019, Jinmao Investment, a wholly-owned subsidiary of Jinmao, issued five year domestic corporate bonds with an aggregate principal amount of RMB2,000,000,000 to qualified investors. The coupon rate of the corporate bonds was fixed at 3.65% for the first three years based on the book-building process with the lead underwriters.

- (e) On 13 April 2017, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB2,500,000,000, with a maturity of three years at a rate of 4.65% per annum.

On 10 July 2017, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB2,500,000,000, with a maturity of three years at a rate of 4.78% per annum.

On 12 April 2018, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB3,000,000,000, with a maturity of three years at a rate of 4.99% per annum.

- (f) The balance includes an amount due to a fellow subsidiary of the Group, loans from third parties and short-term notes.
- (g) The ranges of effective interest rates on the Group's borrowings are as follows:

	2019 HK\$'000	2018 HK\$'000
Effective interest rate:		
Fixed rate borrowings	0.35% to 7.21%	0.76% to 9.82%
Variable rate borrowings	1.92% to 6.90%	1.66% to 6.37%

### 35 Provision for land appreciation tax

	HK\$'000
At 1 January 2018	4,346,920
Charged to profit or loss during the year	1,735,934
Payment during the year	(2,370,091)
Transfer from tax recoverable	(492,564)
Exchange adjustments	(160,502)
	<hr/>
At 31 December 2018 and at 1 January 2019	3,059,697
Charged to profit or loss during the year	2,108,305
Payment during the year	(810,275)
Transfer from tax recoverable	(605,804)
Exchange adjustments	(79,145)
	<hr/>
At 31 December 2019	<u>3,672,778</u>

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of properties. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the sales and pre-sales proceeds of the Group's properties.

Jinmao has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

### 36 Lease liabilities

	<i>At 31 December 2019</i>		<i>At 1 January 2019</i>	
	<i>Present value of the minimum lease payments HK\$'000</i>	<i>Total minimum lease payments HK\$'000</i>	<i>Present value of the minimum lease payments HK\$'000</i>	<i>Total minimum lease payments HK\$'000</i>
Within 1 year	78,283	96,810	45,514	47,854
After 1 years but within 5 years	66,143	109,530	63,928	64,649
After 5 years	68,222	79,119	-	-
	<u>134,365</u>	<u>188,649</u>	<u>63,928</u>	<u>64,649</u>
	<u>212,648</u>	<u>285,459</u>	<u>109,442</u>	<u>112,503</u>
Less: total future interest expenses		(72,811)		(3,061)
Present value of lease liabilities		<u>212,648</u>		<u>109,442</u>

### 37 Deferred tax assets/liabilities

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.



### 37 Deferred tax assets/liabilities (continued)

	Depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustments on business combinations HK\$'000	Accrued interest income HK\$'000	Revaluation of investment properties HK\$'000	Withholding taxes HK\$'000	Revaluation of equity investments designated at FVOCI HK\$'000	Other provision HK\$'000	Provision for LAT HK\$'000	Unrealised profits arising from intra-group transactions HK\$'000	Losses available for offsetting taxable profits HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2018	(634,959)	(1,097,038)	(138,572)	(4,199,457)	(170,111)	(23,641)	13,307	1,057,892	576,312	137,154	(127,475)	(4,606,588)
Deferred tax credited/(charged) to profit or loss during the year	(88,698)	92,375	(12,169)	(68,992)	-	-	-	(262,323)	454,364	345,585	(26,258)	433,884
Deferred tax recognised in other comprehensive income during the year	-	-	-	(12,258)	-	-	-	-	-	-	-	(12,258)
Acquisition of subsidiaries (Note 43)	-	(105,176)	-	-	-	-	-	-	-	-	-	(105,176)
Disposal of subsidiaries (Note 44)	-	-	-	-	-	-	-	-	-	-	-	-
Exchange adjustments	32,290	50,885	6,796	191,667	7,821	1,087	(612)	(39,476)	(42,364)	(6,606)	4,277	(6,606)
At 31 December 2018	(691,367)	(1,058,954)	(143,945)	(4,089,040)	(162,290)	(22,554)	12,695	756,093	988,312	457,989	(149,456)	(4,102,517)
At 1 January 2019	(691,367)	(1,058,954)	(143,945)	(4,089,040)	(162,290)	(22,554)	12,695	756,093	988,312	457,989	(149,456)	(4,102,517)
Deferred tax credited/(charged) to profit or loss during the year	(83,487)	420,226	(110,311)	(252,436)	-	-	(591)	130,232	378,864	208,827	(164,306)	527,018
Deferred tax recognised in other comprehensive income during the year	-	-	-	(35,607)	-	-	-	-	-	-	-	(35,607)
Credited to reserves for the year - discontinued operations	-	-	-	-	-	29,336	-	-	-	-	-	29,336
Acquisition of subsidiaries (note 43)	-	(500,690)	-	-	-	-	-	-	-	199,685	-	(301,005)
Discontinued operations (note 10)	9	204,943	-	-	-	(6,761)	(11,837)	-	(1,057)	(53,924)	(3,349)	128,024
Disposal of subsidiaries (note 44)	-	-	-	-	-	-	-	-	(24,785)	(1,769)	-	(26,554)
Exchange adjustments	16,606	24,605	5,085	81,172	3,555	(21)	(267)	(18,843)	(27,850)	(17,155)	16,970	83,857
At 31 December 2019	(758,239)	(909,870)	(249,171)	(4,295,911)	(158,735)	-	-	867,482	1,313,484	793,653	(300,141)	(3,697,448)

### 37 Deferred tax assets/liabilities (continued)

	2019 HK\$'000	2018 HK\$'000
Net deferred tax asset recognised in the consolidated statement of financial position	3,084,322	2,292,500
Net deferred tax liability recognised in the consolidated statement of financial position	<u>(6,781,770)</u>	<u>(6,395,017)</u>
	<u>(3,697,448)</u>	<u>(4,102,517)</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. By reference to financial budgets, the management of the Group has assessed whether there will be sufficient future taxable profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses and other temporary differences.

The Group has recognised deferred tax assets in respect of tax losses amounting to approximately HK\$3,174,612,000 (2018: HK\$1,831,956,000) that can be carried forward against taxable income in the coming five years in Mainland China.

No deferred tax assets were recognised on the remaining tax losses of approximately HK\$3,451,028,000 (2018: HK\$13,134,255,000) that will expire in one to five years as the Group determines that the realisation of the related tax benefit through future taxable profits is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Jinmao is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China to foreign investors in respect of earnings generated from 1 January 2008. For the Group, the applicable rates is 5%. At 31 December 2019, the Group recognised deferred tax liabilities of approximately HK\$158,735,000 (2018: HK\$162,290,000) for withholding taxes that would be payable on the unremitted earnings in the PRC. As the Group controls the dividend policy of its PRC subsidiaries, it has the ability to control the timing of the reversal of temporary differences associated with the investments in subsidiaries. Furthermore, the Group has determined that certain profits earned by the PRC subsidiaries will not be distributed to foreign investors in the foreseeable future. As such, deferred taxation has not been provided for in respect of temporary differences attributable to retained earnings of those PRC subsidiaries of approximately HK\$38,793,645,000 at 31 December 2019 (2018: HK\$37,287,311,000, of which HK\$36,942,947,000 for Jinmao and HK\$344,364,000 for Sinofer).

### 38 Issued capital

*The movements in issued capital of the Company:*

	2019 HK\$'000	2018 HK\$'000
Issued and fully paid:		
24,468,400 (2018: 24,468,400) ordinary shares	24,468,400	24,468,400

### 39 Perpetual capital securities

On 6 December 2019, Franshion Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued subordinate guaranteed perpetual capital securities with an aggregate principal amount of US\$400,000,000 (equivalent to approximately HK\$3,198,766,000). The direct transaction costs attributable to the issuance amounted to US\$759,000 (equivalent to approximately HK\$6,067,000).

The securities confer the holders of the perpetual securities a right to receive distributions at the applicable distribution rate of 7.125% per annum. Franshion Brilliant Limited may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of Franshion Brilliant Limited, in whole but not in part.

In the opinion of the directors, Jinmao is able to control the delivery of cash or other financial assets to the holders of the perpetual securities due to redemption other than an unforeseen liquidation of Jinmao or Franshion Brilliant Limited. Accordingly, these securities are classified as equity instruments.

### 40 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from previous years.

The capital structure of the Group consists of net debt including borrowings, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued equity, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

## 41 Financial risk management and fair value of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted bank balances, amounts due from related parties, amounts due from non-controlling shareholders, trade and bills receivables, contract assets and financial assets included in prepayments, other receivables and other assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank balances and bills receivable is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

The related parties are subsidiaries of large group companies with sound credit ratings. Accordingly, in the opinion of the directors, the credit risk on amounts due from related parties is limited.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group has no concentration of credit risk in view of its large number customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 28 and note 29.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

#### 41 Financial risk management and fair value of financial instruments (continued)

The following table provide information about the Group's exposure to credit risk and ECLs for trade receivables:

	2019		
	<i>Expected loss rate %</i>	<i>Gross carrying amount HK\$'000</i>	<i>Loss allowance HK\$'000</i>
Current	0.02%	1,573,922	392
Less than 1 month	1.22%	1,743	21
1 to 3 months	7.33%	1,265	93
Over 3 months	31.70%	55,432	17,572
		<u>1,632,362</u>	<u>18,078</u>

	2018		
	<i>Expected loss rate %</i>	<i>Gross carrying amount HK\$'000</i>	<i>Loss allowance HK\$'000</i>
Current	0.09%	912,840	863
Less than 1 month	2.96%	4,052	120
1 to 3 months	3.32%	2,046	68
Over 3 months	35.42%	36,749	13,018
		<u>955,687</u>	<u>14,069</u>

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

#### 41 Financial risk management and fair value of financial instruments (continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 HK\$'000	2018 HK\$'000 (Restated)
At 1 January	14,069	8,570
Impairment losses recognised-continuing operations (note 5)	7,433	4,377
Impairment losses recognised-discontinued operations	6,044	1,807
Amounts written off as uncollectible	-	(78)
Discontinued operations	(8,923)	-
Exchange adjustments	(545)	(607)
At 31 December	<u>18,078</u>	<u>14,069</u>

##### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	<u>2019 Contractual undiscounted cash outflow</u>				
	<i>Less than 1 year or on demand</i> HK\$'000	<i>1 to 5 years</i> HK\$'000	<i>Over 5 years</i> HK\$'000	<i>Total</i> HK\$'000	<i>Carrying amount</i> HK\$'000
Trade and bills payables	21,204,715	-	-	21,204,715	21,204,715
Financial liabilities included in other payables and accruals	18,538,213	-	-	18,538,213	18,538,213
Derivative financial instruments	120,962	39,060	-	160,022	160,022
Interest-bearing borrowings	46,103,480	74,432,084	24,020,698	144,556,262	128,339,854
Lease liabilities	96,810	109,530	79,119	285,459	212,648
Amounts due to related parties	23,428,352	-	-	23,428,352	23,428,352
Other non-current liabilities	12,620	76,851	-	89,471	78,138
	<u>109,505,152</u>	<u>74,657,525</u>	<u>24,099,817</u>	<u>208,262,494</u>	<u>191,961,942</u>

#### 41 Financial risk management and fair value of financial instruments (continued)

	<i>2018 Contractual undiscounted cash outflow</i>				
	<i>Less than 1 year or on demand HK\$'000</i>	<i>1 to 5 years HK\$'000</i>	<i>Over 5 years HK\$'000</i>	<i>Total HK\$'000</i>	<i>Carrying amount HK\$'000</i>
Trade and bills payables	16,511,002	-	-	16,511,002	16,511,002
Financial liabilities included in other payables and accruals	24,608,460	-	-	24,608,460	24,608,460
Derivative financial instruments	74,981	51,095	-	126,076	126,076
Interest-bearing borrowings	37,788,241	94,625,924	15,790,475	148,204,640	128,244,800
Amounts due to related parties	19,544,985	-	-	19,544,985	19,544,985
	<u>98,527,669</u>	<u>94,677,019</u>	<u>15,790,475</u>	<u>208,995,163</u>	<u>189,035,323</u>

##### (c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in note(i) below.

##### (i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings and lease liabilities at the end of the reporting period.

	<i>2019</i>		<i>2018</i>	
	<i>Effective interest rate %</i>	<i>HK\$'000</i>	<i>Effective interest rate %</i>	<i>HK\$'000</i>
<b>Fixed rate borrowings:</b>				
Lease liabilities (note 36)	4.75%	212,648	-	-
Bank loans	1.62% - 5.61%	18,246,506	3.13% - 9.82%	9,429,879
Other loans	4.10% - 7.21%	22,643,083	2.10% - 7.00%	27,914,150
Guaranteed senior notes	3.60% - 6.75%	31,013,793	3.60% - 6.75%	25,611,178
Notes issued under the medium term note programme	3.12% - 4.40%	5,787,260	3.12% - 4.40%	9,501,717
Domestic corporate bonds	3.55% - 3.72%	4,748,771	3.55%	517,066
Bonds	4.65% - 4.99%	8,922,989	3.5% - 5%	12,568,292
Notes	-	-	4.27%	798,910
		<u>91,575,050</u>		<u>86,341,192</u>
<b>Variable rate borrowings:</b>				
Bank loans	2.61% - 5.70%	26,033,757	2.07% - 6.37%	35,103,434
Other loans	4.75% - 6.9%	10,943,695	4.99% - 6.06%	6,800,174
		<u>36,977,452</u>		<u>41,903,608</u>
Total borrowings		<u>128,552,502</u>		<u>128,244,800</u>

#### 41 Financial risk management and fair value of financial instruments (continued)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2(c).

##### (ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decrease/increase the Group's profit for the year by approximately HK\$187,446,000 (2018: decreased/increased by approximately HK\$218,899,000), and decrease/increase the Group's retained earnings by approximately HK\$187,446,000 (2018: decreased/increased by approximately HK\$218,899,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

##### (d) Currency risk

Certain bank balances, trade and bills receivables, other receivables, trade and bills payables, other payables, amounts due from and to related companies, bank balances and borrowings are denominated in currencies other than the functional currencies of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group is mainly exposed to the risk of fluctuations in the rates of US\$, HK\$ and RMB.

The following table indicates the instantaneous change in the Group's loss after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.



#### 41 Financial risk management and fair value of financial instruments (continued)

	2019			2018		
	Increase/ (decrease) in foreign exchange rates	Effect on results of the year and retained profits HK\$'000	Effect on other components of equity HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on results of the year and retained profits HK\$'000	Effect on other components of equity HK\$'000
US\$	2% (2%)	64,182 (64,182)	-	2% (2%)	24,204 (24,204)	-
RMB	2% (2%)	(21,872) 21,872	-	2% (2%)	(48,338) 48,338	-

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results of year and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2018.

##### (e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as equity investments designated at FVOCI and equity investments at fair value through profit or loss included in other financial assets (notes 21 and 25). The Group's listed investments are listed on the Hong Kong Stock Exchange. Listed investments have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Unlisted investments are held for long-term purposes. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

#### 41 Financial risk management and fair value of financial instruments (continued)

At 31 December 2019, it is estimated that an increase/(decrease) of 5% (2018: 5%) in the prices of the respective listed equity securities would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2019			2018		
		<i>Effect on profit after tax and retained profits</i> HK\$'000	<i>Effect on other components of equity</i> HK\$'000		<i>Effect on profit after tax and retained profits</i> HK\$'000	<i>Effect on other components of equity</i> HK\$'000
<b>Change in the relevant equity price risk variable:</b>						
Increase	5%	2,521	44,596	5%	3,875	65,521
Decrease	(5%)	(2,521)	(44,596)	(5%)	(3,875)	(65,521)

##### (f) Fair value

##### (i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade and bills receivables, equity investments designated at FVOCI, amounts due from/to related parties, financial assets included in other assets, amounts due from non-controlling shareholders, financial assets included in prepayments, other receivables and other assets, derivative financial instruments, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

#### **41 Financial risk management and fair value of financial instruments (continued)**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing borrowings, except for notes, have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The Group's own non-performance risk for interest-bearing borrowings as at 31 December 2019 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at FVOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate market observable inputs including the foreign exchange spot and forward rates.

#### 41 Financial risk management and fair value of financial instruments (continued)

	<i>Fair value at 31 December 2019 HK\$'000</i>	<i>Fair value measurements as at 31 December 2019 categorised into</i>		
		<i>Level 1 HK\$'000</i>	<i>Level 2 HK\$'000</i>	<i>Level 3 HK\$'000</i>
<b>Recurring fair value measurements</b>				
<b>Assets:</b>				
Equity securities designated at FVOCI	910,090	891,927	-	18,163
Other financial assets	414,730	50,425	364,305	-
Derivative financial instruments	-	-	-	-
	<u>160,022</u>	<u>-</u>	<u>160,022</u>	<u>-</u>
<b>Liabilities:</b>				
Derivative financial instruments	160,022	-	160,022	-
	<u>160,022</u>	<u>-</u>	<u>160,022</u>	<u>-</u>
	<i>Fair value at 31 December 2018 HK\$'000</i>	<i>Fair value measurements as at 31 December 2018 categorised into</i>		
		<i>Level 1 HK\$'000</i>	<i>Level 2 HK\$'000</i>	<i>Level 3 HK\$'000</i>
<b>Recurring fair value measurements</b>				
<b>Assets:</b>				
Equity securities designated at FVOCI	1,767,098	1,310,424	-	456,674
Other financial assets	1,720,054	77,490	1,416,901	225,663
Derivative financial instruments	8,303	-	8,303	-
	<u>126,076</u>	<u>-</u>	<u>126,076</u>	<u>-</u>
<b>Liabilities:</b>				
Derivative financial instruments	126,076	-	126,076	-
	<u>126,076</u>	<u>-</u>	<u>126,076</u>	<u>-</u>

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

#### 41 Financial risk management and fair value of financial instruments (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2019 HK\$'000	2018 HK\$'000 (Restated)
Equity securities designated at FVOCI		
At 1 January	456,674	456,674
Changes in fair value during the year		
- continuing operations	2,635	-
Changes in fair value during the year		
- discontinued operations	(117,343)	-
Discontinued operations	(316,236)	-
Exchange adjustments	(7,567)	-
	<u>18,163</u>	<u>456,674</u>
At 31 December		
Other financial assets		
At 1 January	225,663	-
Purchases	-	11,691,680
Disposals	(224,655)	(11,459,394)
Changes in fair value recognised in profit or loss		
during the year - discontinued operations	-	1,543
Exchange adjustments	(1,008)	(8,166)
	<u>-</u>	<u>225,663</u>
At 31 December		

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2018 and 2019.

#### 42 Share option scheme

##### 2007 Scheme

Jinmao operates a share option scheme (the "2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao's operations. Eligible participants of the 2007 Scheme include the Company's executive and non-executive directors and Jinmao's senior management, key technical and professional personnel, managers and employees, but do not include Jinmao's independent non-executive directors. The 2007 Scheme became effective on 22 November 2007 and expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the 2007 Scheme continue to be valid and exercisable in accordance with the terms of issue.

## 42 Share option scheme (continued)

The maximum number of unexercised share options currently permitted to be granted under the 2007 Scheme was an amount equivalent, upon their exercise, to 10% of the shares of Jinmao in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2007 Scheme within any 12-month period is limited to 1% of the shares of Jinmao in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of Jinmao, or to any of their associates, were subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of Jinmao, or to any of their associates, in excess of 0.1% of the shares of Jinmao in issue at any time or with an aggregate value (based on the price of Jinmao's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise and exercisability of the share options are related to the performance of individuals and of Jinmao. The board of directors of Jinmao would determine performance targets concerned and set out in the grant notice. The share options granted would become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options was determinable by the directors, but may not be less than the highest of (i) the Hong Kong Stock Exchange closing price of Jinmao's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of Jinmao's shares for the five trading days immediately preceding the grant date; and (iii) the par value of Jinmao's share.

Share options did not confer rights on the holders to dividends or to vote at shareholders' meetings of Jinmao.

The following share options were outstanding under the 2007 Scheme during the year:

	<u>2019</u>		<u>2018</u>	
	<i>Weighted average exercise price HK\$ per share</i>	<i>Number of options</i>	<i>Weighted average exercise price HK\$ per share</i>	<i>Number of options</i>
At 1 January	2.32	138,354,900	2.21	155,597,880
Forfeited during the year	2.20	(2,594,800)	2.20	(12,216,000)
Exercised during the year	2.23	(46,502,100)	2.27	(5,026,980)
At 31 December	2.20	<u>89,258,000</u>	2.32	<u>138,354,900</u>

The weighted average share price at the date of exercise for share options exercised during the year was HK\$2.23 per share (2018: HK\$2.27 per share).

## 42 Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

<i>Number of options</i>	<i>Exercise price* HK\$ per share</i>	<i>Exercise period</i>
8,017,800	2.196	17 October 2018 to 16 October 2023
37,128,200	2.196	17 October 2019 to 16 October 2023
44,112,000	2.196	17 October 2020 to 16 October 2023
<u>89,258,000</u>		

2018

<i>Number of options</i>	<i>Exercise price* HK\$ per share</i>	<i>Exercise period</i>
2,749,800	2.44	28 November 2014 to 27 November 2019
3,664,100	2.44	28 November 2015 to 27 November 2019
41,409,000	2.196	17 October 2018 to 16 October 2023
45,128,000	2.196	17 October 2019 to 16 October 2023
45,404,000	2.196	17 October 2020 to 16 October 2023
<u>138,354,900</u>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Jinmao's share capital.

The fair value of the share options granted during the year ended 31 December 2016 was HK\$80,332,000 (HK\$0.47 each), of which Jinmao recognised a share option expense of HK\$14,328,000 (2018: HK\$25,912,000) during the year ended 31 December 2019.

The 46,502,100 share options exercised during the year resulted in the issue of 46,502,100 ordinary shares of Jinmao and new share capital of HK\$126,989,000 (before issue expenses).

### New Scheme

On 29 January 2019, a new share option scheme (the "New Scheme") was adopted by Jinmao to enhance Jinmao's continuous commitment to eligible participants and enhance them to pursue the objectives of Jinmao. On 8 February 2019, an aggregate of 265,950,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK\$3.99 per share. One-third of the share options granted will be vested in two years from 8 February 2019, one-third of the share options granted will be vested in three years from 8 February 2019 and one-third of the options granted will be vested in four years from 8 February 2019. Once the share options are vested, they are exercisable until 7 February 2026.

## 42 Share option scheme (continued)

On 9 September 2019, an aggregate of 9,000,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK\$4.58 per share. One-third of the share options granted will be vested in two years from 9 September 2019, one-third of the share options granted will be vested in three years from 9 September and one-third of the options granted will be vested in four years from 9 September. Once the share options are vested, they are exercisable until 8 September 2026.

According to the terms of the New Scheme, the board of directors of Jinmao shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive directors of any member of Jinmao and any senior management, key technical and professional personnel, managers and employees of any member of Jinmao, but do not include any independent non-executive directors of Jinmao.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes of Jinmao shall not in aggregate exceed 10% of the then issued share capital of Jinmao.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the share options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of Jinmao to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of Jinmao at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of Jinmao, pay a consideration of HK\$1 or the equivalent (to be determined on the date when the offer of the grant is accepted) to Jinmao for acceptance of the offer of the grant of the share option.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of Jinmao.

The following share options were outstanding under the New Scheme during the year:

	<u>2019</u>	
	<i>Weighted average exercise price HK\$ per share</i>	<i>Number of options</i>
At 1 January	-	-
Granted during the year	4.01	274,950,000
Forfeited during the year	3.99	(5,850,000)
At 31 December	4.01	<u>269,100,000</u>



## 42 Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding under the New Scheme as at the end of the reporting period are as follows:

2019

<i>Number of options</i>	<i>Exercise price* HK\$ per share</i>	<i>Exercise period</i>
86,694,000	3.99	8 February 2021 to 7 February 2026
86,694,000	3.99	8 February 2022 to 7 February 2026
86,712,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
<u>269,100,000</u>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Jinmao's share capital.

The fair value of the share options granted during the year ended 31 December 2019 was HK\$257,594,000, of which Jinmao recognised a share option expense of HK\$81,174,000 during the year ended 31 December 2019.

The fair value of equity settled share options granted during the year ended 31 December 2019 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	4.80 - 5.26
Expected volatility (%)	37.65 - 41.15
Historical volatility (%)	37.65 - 41.15
Risk-free interest rate (%)	1.15 - 1.63
Contractual life of options (year)	7.00
Exercise multiple (times)	1.5 - ∞
Weighted average share price (HK\$ per share)	3.99 - 4.58

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, Jinmao had 89,258,000 share options outstanding under the 2007 Scheme and 269,100,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of Jinmao, result in the issue of 358,358,000 additional ordinary shares of Jinmao and additional share capital of HK\$1,275,030,000 (before issue expenses).

### 43 Business combinations

Business combinations during the year mainly included Jinmao's acquisitions of a number of property development companies and acquisition of additional interests in joint ventures (collectively referred to as the "Acquirees"). The directors of Jinmao consider that none of these subsidiaries acquired during the year was significant to Jinmao and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

Jinmao remeasured the fair value of the equity interest previously held as joint ventures or associations at the date of acquisition, and fair value gains of HK\$393,398,000 were recognised in other income, gains and losses, net in the consolidated statement of other comprehensive income during the year ended 31 December 2019 (note 5).

Jinmao has elected to measure the non-controlling interest in the Acquirees at the non-controlling interest's proportionate share of the Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:

	Note	HK\$'000
Property, plant and equipment	12	175,718
Right-of-use assets	16	23,508
Intangible assets	18	617
Properties under development	14	11,357,673
Properties held for sale		13,097,861
Deferred tax assets	37	199,685
Prepayments, other receivables and other assets		5,676,180
Prepaid tax		774,284
Restricted bank balance		6,482
Cash and cash equivalents		1,734,562
Trade and bills payables		(490,796)
Other payables and accruals		(19,439,242)
Interest-bearing bank and other borrowings		(7,590,526)
Lease liabilities		(10,062)
Deferred tax liabilities	37	(500,690)
Total identifiable net assets at fair value		5,015,254
Non-controlling interests		(901,353)
Gain on bargain purchase recognised in other income, gains and losses, net in the consolidated statement of comprehensive income	5	(456,718)
		<u>3,657,183</u>
Satisfied by:		
Cash		1,497,612
Fair value of equity interest previously held as investments in joint ventures and associates		<u>2,159,571</u>
Total purchase consideration		<u>3,657,183</u>

#### 43 Business combinations (continued)

The fair values of its other receivables and other assets as at the date of acquisition amounted to HK\$5,676,180,000, which are equal to their gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

Jinmao incurred transaction costs of HK\$1,370,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in consolidated statement of comprehensive income.

Jinmao recognised a gain on bargain purchase of approximately HK\$456,718,000 in consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2019, which was, in the opinion of the directors of Jinmao, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transaction with the independent third parties, as Jinmao has good reputation and rich experience in the development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the acquired projects.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	HK\$'000
Cash consideration	(1,497,612)
Cash and cash equivalents acquired	1,734,562
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	236,950
Transaction costs of the acquisition included in cash flows used in operating activities	(1,370)
	<hr/>
	<u>235,580</u>

Since the acquisition, the Acquirees contributed HK\$8,194,189,000 to the Group's revenue and incurred a loss of HK\$202,239,000 to the consolidated profit for the year ended 31 December 2019 in aggregate.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit for the year from continuing operations of the Group would have been HK\$51,816,130,000 and HK\$9,822,150,000, respectively.

#### 44 Disposal of subsidiaries

Other than disposal of subsidiaries in relation to the discontinued operations as disclosed in note 10, Jinmao lost control over certain subsidiaries during the year ended 31 December 2019 and 2018. Details of financial impact of Jinmao's disposals are summarised below:

	Note	2019 HK\$'000	2018 HK\$'000
Net assets/liabilities disposed of:			
Property, plant and equipment	12	1,175	3,925
Properties under development	14	9,198,216	13,506,712
Intangible assets	18	-	184
Deferred tax assets	37	26,554	6,606
Properties held for sale		1,263,812	-
Prepayments, other receivables and other assets		3,611,626	508,545
Tax recoverable		552,550	52,904
Cash and cash equivalents		2,001,405	2,599,581
Trade and bills payables		(672,495)	(237,370)
Other payables and accruals		(7,868,299)	(11,880,462)
Interest-bearing borrowings		(4,981,513)	(3,338,423)
Non-controlling interests		(908,519)	-
		<u>2,224,512</u>	<u>1,222,202</u>
Translation reserve		<u>(59,220)</u>	<u>(45,666)</u>
		2,165,292	1,176,536
Gain on disposal of subsidiaries	5	<u>1,156,681</u>	<u>85,431</u>
		<u>3,321,973</u>	<u>1,261,967</u>
Satisfied by:			
Cash		1,877,668	13,696
Fair value of interests retained by the Group		<u>1,444,305</u>	<u>1,248,271</u>
		<u>3,321,973</u>	<u>1,261,967</u>

#### 44 Disposal of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 HK\$'000	2018 HK\$'000
Cash consideration	1,877,668	13,696
Cash and cash equivalents disposed of	<u>(2,001,405)</u>	<u>(2,599,581)</u>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>(123,737)</u>	<u>(2,585,885)</u>

#### 45 Contingent liabilities

At the end of the reporting period, Jinmao has provided guarantees in respect of mortgage facilities for certain purchasers of Jinmao's properties amounting to approximately HK\$25,527,235,000 (2018: HK\$27,205,088,000).

#### 46 Commitments

##### (a) Capital commitment

The Group had the following commitments at the end of the reporting period:

	2019 HK\$'000	2018 HK\$'000
Contracted but not provided for		
Properties under development	39,127,083	35,493,286
Land under development	2,582,519	1,787,457
Property, plant and equipment	4,954	226,136
Capital contributions to joint ventures and associates	<u>5,863,605</u>	<u>3,050,246</u>
	47,578,161	40,557,125
Authorised but not contracted for		
Property, plant and equipment	<u>-</u>	<u>1,382,542</u>
	<u>47,578,161</u>	<u>41,939,667</u>

## 46 Commitments (continued)

### (b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for properties were negotiated for terms ranging from one to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK\$'000
Within 1 year	63,053
Over 1 year but within 5 years	70,319
	<hr/> 133,372 <hr/>

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(o), and the details regarding the Group's future lease payments are disclosed in note 36.

- (c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are HK\$6,160,000 due within one year.

## 47 Related party transactions

- (a) *In addition to the transaction disclosed elsewhere in the financial statements, the Group entered into the following significant transactions with its ultimate holding company, Sinochem Group and other related parties during the year:*

	2019 HK\$'000	2018 HK\$'000
The ultimate parent:		
Sale of fertilisers	-	2,062
Purchase of fertilisers	66,534	237,336
Rental income	8,987	9,355
Interest expense	-	16,358

#### 47 Related party transactions (continued)

	2019 HK\$'000	2018 HK\$'000
The immediate parent:		
Interest income	169,500	270,483
Rental income	96,086	104,254
Property management fee income	13,291	13,300
Building decoration services income	3,168	-
Interest expense	117,198	8,814
Fellow subsidiaries:		
Sales of fertilisers	474,390	103,849
Sale of chemical products	-	733,663
Interest expense	153,259	68,467
Rental income	236,330	220,866
Building decoration service income	7,833	22,787
Property management fee income	44,124	41,596
Interest income	273,300	132,945
Proceeds received from sales of financial assets	224,655	118,260
Purchase of financial assets from related parties	-	350,546
Interests income for financial assets from related parties	15,579	-
Associates:		
Sales of fertilisers	6,567	49,601
Purchase of fertilisers	29,729	180,661
Interest income	893,450	214,117
Interest expense	6,527	12
Building decoration service income	279,312	98,500
Consulting fee income	68,783	28,532
Property management fee income	54,448	41,748
Joint ventures:		
Sale of fertilisers	254,988	312,273
Rental income	4,310	1,904
Building decoration service income	302,688	82,408
Property management fee income	104,528	45,007
Interest income	1,823,941	883,065
Consulting fee income	37,788	32,802
Purchase of fertilisers	1,402,112	1,367,303
Interest expense	55,061	-
Consulting fee expense	269,922	168,622

#### 47 Related party transactions (continued)

	2019 HK\$'000	2018 HK\$'000
Associates of the Group's ultimate parent:		
Sale of fertilisers	97,801	532,436
Rental income	9,266	43,448
Property management fee income	39	5,885
Interest income	-	99,622
Purchase of fertilisers	1,101,616	1,435,420
Interest expense	-	1,948
Substantial shareholders:		
Interest income	34,134	-
Interest expense	52,819	-
Purchase of fertilisers	794,937	-
<b>(b)</b> At the end of the reporting period, certain bank borrowings granted to the Group are guaranteed by its ultimate parent or immediate parent.		
<b>(c) Compensation of key management personnel</b>		
	2019 HK\$'000	2018 HK\$'000
Short-term employee benefits	86,535	84,939
Post-employment benefits	3,811	3,109
Share-based payments	7,001	1,711
Total compensation paid to key management personnel	<u>97,347</u>	<u>89,759</u>

#### **(d) Transactions/balances with other state-controlled entities in the PRC**

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the Chinese government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the Chinese government. Apart from the transactions with Sinochem Group and fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider that those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.



## 47 Related party transactions (continued)

During the year, the Group conducted business with other state-owned entities (“SOEs”) including, but not limited to, borrowings, deposits, the sale of properties developed, crude oil, refined petroleum products and chemical products, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs were activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

## 48 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of incorporation/ registration	Issued ordinary/ registered share capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
Jinmao (note a)	Hong Kong	HK\$11,769,524,490	35.06%	-	Investment holding
Sinochem International Oil (Hong Kong) Company Limited	Hong Kong	HK\$20,000,000	100.00%	-	Investment holding
Sinochem Asia Holdings Co., Ltd.	Singapore	US\$50,642,154	100.00%	-	Investment holding
Sinochem Europe Holdings PLC	United Kingdom	US\$13,031,000	100.00%	-	Investment holding
Sinochem Overseas Capital Company Limited	British Virgin Islands ("BVI")	US\$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Offshore Capital Company Limited	BVI	US\$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Overseas Trading Co., Ltd.	BVI	US\$1	100.00%	-	Investment holding
Sinochem CP Co., Ltd.	BVI	US\$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Global Capital Co., Ltd.	BVI	US\$1	100.00%	-	Financing vehicle for issuance of capital securities
Shanghai International Shipping Service Centre Co., Ltd. (note b)	PRC/Mainland China	RMB3,150,000,000	-	35.06%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd. (note b)	PRC/Mainland China	US\$635,000,000	-	35.06%	Property development
Chongqing Xingqian Properties Development Co., Ltd. (note b)	PRC/Mainland China	RMB2,884,540,000	-	25.59%	Property development
Jinmao Hangzhou Property Development Co., Ltd. ("Jinmao Hangzhou") (note b)	PRC/Mainland China	RMB3,200,000,000	-	35.06%	Property development
Nanjing Xingtuo Investment Co., Ltd. (note b)	PRC/Mainland China	RMB2,400,000,000	-	28.05%	Land development
Beijing Chemsunny Property Co., Ltd. (note b)	PRC/Mainland China	US\$102,400,000	-	35.06%	Property investment
Jinmao (China) Hotel Investments and Management Limited ("JCHIML") (notes b and c)	Cayman Islands/ Hong Kong	HK\$2,000,000	-	23.41%	Investment holding
Wangfujing Hotel Management Co., Ltd. (note b)	PRC/Mainland China	US\$73,345,000	-	23.41%	Hotel operation
China Jin Mao Group Co., Ltd. (note b)	PRC/Mainland China	RMB2,635,000,000	-	23.41%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd. (note b)	PRC/Mainland China	RMB1,600,000,000	-	23.41%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd. (note b)	PRC/Mainland China	RMB300,000,000	-	23.41%	Hotel operation
Jin Mao Sanya Tourism Co., Ltd. (note b)	PRC/Mainland China	RMB500,000,000	-	23.41%	Hotel operation

## 48 Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued capital/registered capital	Proportion of ownership interest		Principal activity
			Held by the Company	Held by a subsidiary	
Jin Mao Shenzhen Hotel Investment Co., Ltd. (note b)	PRC/Mainland China	RMB700,000,000	-	23.41%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd. (note b)	PRC/Mainland China	RMB100,000,000	-	23.41%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited (note b)	PRC/Mainland China	US\$600,000,000	-	35.06%	Property development
Jin Mao Investment (Changsha) Co., Ltd. (note b)	PRC/Mainland China	RMB3,750,000,000	-	28.05%	Land development
Franshion Brilliant Limited (note b)	BVI/Hong Kong	US\$1	-	35.06%	Investment holding
Franshion Properties (Suzhou) Limited (note b)	PRC/Mainland China	US\$395,000,000	-	35.06%	Property development
Guangzhou Xingtuo Properties Limited (note b)	PRC/Mainland China	RMB 260,000,000	-	31.55%	Property development
Changsha Jinmao City Construction Limited (note b)	PRC/Mainland China	RMB2,962,500,000	-	35.06%	Land development
Shanghai Jin Mao Economic Development Company Ltd. (note b)	PRC/Mainland China	RMB30,000,000	-	35.06%	Property development
Jinmao Assets Management Limited Partnership (note b)	Cayman Islands/ Hong Kong	RMB11,811,608,710	-	35.06%	Property investment
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao") (note d)	PRC/Mainland China	RMB4,500,000,000	-	9.29%	Property development
Ningbo Xingmao Property Development Co., Ltd. (note b)	PRC/Mainland China	US\$200,000,000	-	35.06%	Property development
Shanghai Franshion Development Co., Ltd. (note b)	PRC/Mainland China	RMB7,000,000,000	-	31.55%	Property development
Nanjing Runmao Property Development Co., Ltd. ("Nanjing Runmao") (note e)	PRC/Mainland China	RMB3,000,000,000	-	9.64%	Property development
Beijing Franshion Tuoying Property Development Co., Ltd. (note b)	PRC/Mainland China	RMB10,000,000	-	35.06%	Property development
Foshan Maoxing Property Development Co., Ltd. (note b)	PRC/Mainland China	RMB820,000,000	-	22.79%	Property development
Beijing Jinfeng Property Development Co., Ltd. (note b)	PRC/Mainland China	RMB11,112,000	-	35.06%	Property development

- (a) Jinmao is accounted for as a subsidiary of the Group based on the factors explained in note 3 to the consolidated financial statements even though the Group has only a 35.06% equity interest in this company.
- (b) Jinmao holds more than 50% of the registered capital of these entities or the parent company of these entities. Therefore, these entities are accounted for as subsidiaries by virtue of the Company's control over them.
- (c) Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel, which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. JCHIML and its subsidiaries are collectively referred to as the JCHIML Group.
- (d) Jinmao is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise control over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over it.
- (e) Jinmao is entitled to 57.5% voting rights at the shareholders' meetings, and therefore has the power to exercise control over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over it.

## 48 Investments in subsidiaries (continued)

The following table lists out the information relating to certain subsidiaries which were acquired or established by the Group and have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019			
	Jinmao HK\$'000	Nanjing Runmao HK\$'000	Suzhou Anmao HK\$'000	JCHIML Group HK\$'000
NCI percentage	64.94%	90.36%	90.71%	76.59%
Profit/(loss) for the year allocated to non-controlling interests	6,570,055	(44,999)	227,399	214,384
Dividends declared to non-controlling interests	4,742,452	-	-	455,034
Accumulated balances of non-controlling interests at the reporting date	82,245,368	2,947,051	4,732,459	4,545,316
Current assets	191,592,959	8,241,673	10,802,455	1,000,482
Non-current assets	172,486,642	3,600,866	420	19,105,764
Current liabilities	183,946,217	8,221,663	4,273,651	9,365,448
Non-current liabilities	84,289,896	359,007	1,303,073	4,645,621
Revenue	49,261,020	2,253	1,850,882	2,810,584
Profit/(loss) for the year	9,804,404	(49,801)	250,690	279,909
Total comprehensive income for the year	8,857,313	(49,801)	250,690	174,092
Cash flows generated from operating activities	22,836,700	5,251,038	4,241,491	704,651
Cash flows used in investing activities	(22,320,804)	(961)	(1,306,580)	(159,125)
Cash flows used in financing activities	(5,215,833)	(3,966,881)	(2,807,197)	(606,600)
Net decrease/(increase) in cash and cash equivalents	(4,699,937)	1,283,196	127,714	(61,074)

	2018				
	Jinmao HK\$'000	Sinofert HK\$'000	Suzhou Anmao HK\$'000	JCHIML Group HK\$'000	Jinmao Hangzhou HK\$'000
NCI percentage	50.15%	47.35%	86.79%	66.71%	75.07%
Profit/(loss) for the year allocated to non-controlling interests	5,651,521	291,534	(31,947)	197,566	24,248
Dividends declared to non-controlling interests	2,854,935	7,752	-	483,074	-
Accumulated balances of non-controlling interests at the reporting date	70,162,662	3,701,705	4,410,783	4,413,488	2,732,912
Current assets	168,257,621	13,350,517	9,577,582	1,156,348	9,109,208
Non-current assets	141,763,105	6,744,842	12,728	19,422,889	3,211,042
Current liabilities	139,342,299	11,383,407	3,298,512	9,914,946	8,679,914
Non-current liabilities	81,354,279	447,822	1,206,323	4,010,704	-
Revenue	45,805,252	27,195,457	-	3,033,293	-
Profit/(loss) for the year	8,723,714	578,250	(36,811)	296,144	32,299
Total comprehensive income for the year	2,909,784	272,945	(36,811)	42,863	32,299
Cash flows generated from/(used in) operating activities	2,379,226	(954,747)	(1,187,848)	825,199	1,347,919
Cash flows used in/(generated from) investing activities	(23,165,543)	3,974,476	(652,060)	(250,013)	(1,894,098)
Cash flows generated from/(used in) financing activities	22,985,269	(2,667,601)	2,032,305	(765,388)	(1,219,839)
Net increase/(decrease) in cash and cash equivalents	2,198,952	352,128	192,397	(190,202)	(1,766,018)

## 49 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

The comparative consolidated statement of comprehensive income has been re-presented as the businesses of the companies mentioned in note 10 were disposed of during the year. Certain comparative figures have been re-classified to conform to the current year's presentation.

## 50 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in the financial statements. These developments include the followings which may be relevant to the Group.

*Effective for  
accounting periods  
beginning on or after*

Amendments to HKFRS 3, *Definition of a business* 1 January 2020

Amendments to HKAS 1 and HKAS 8, *Definition of material* 1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them are unlikely to have a significant impact on the consolidated financial statements.

## 51 Events after the reporting period

- (a) On 12 March 2020, Beijing Franshion Yicheng Properties Company Limited ("Yicheng Properties"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Sinochem Asset Management Co., Ltd. ("Sinochem Asset"), pursuant to which Yicheng Properties agreed to acquire 100% equity interests of Wuhan Huazi Enterprise Management Consulting Co., Ltd. ("Wuhan Huazi") from Sinochem Asset at a cash consideration of HK\$7,646,655,000. Wuhan Huazi and its subsidiaries are principally engaged in the development, construction and operation of real estate projects in Qingdao, Tianjin and Wuhan, the PRC. Upon completion of the acquisition, Wuhan Huazi will become a wholly-owned subsidiary of the Group. Jinmao is in the process of seeking approval from its independent shareholders in respect of the aforesaid acquisition, and will publish an announcement on the voting results of the general meeting in due course.
- (b) On 13 March 2020, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, has completed the issue of the medium-term notes with an aggregate principal amount of HK\$2,790,750,000. The medium-term notes have a term of 3 years with a fixed rate of 3.1% per annum.

## **51 Events after the reporting period (continued)**

- (c) On 18 February 2020, China Jin Mao (Group) Co. Ltd. (“China Jin Mao (Group)”), a non wholly-owned subsidiary of the Company, has completed the issue of the super & short-term commercial paper in the national interbank market in the PRC, of an amount of HK\$893,040,000 and with a maturity period of 270 days and an interest rate of 2.9% per annum.

On 19 March 2020, China Jin Mao (Group) has completed the issue of the medium-term note in the national inter-bank market in the PRC, of an amount of HK\$558,150,000 and with a maturity period of three years and an interest rate of 3.28% per annum.

- (d) The unexpected outbreak of coronavirus (COVID-19) has produced an adverse impact on the economy, including the real estate sector, in Mainland China in 2020. It is expected that the performance of the Group’s hotel operations and the commercial leasing and retail operations in the first half of 2020 will be negatively affected. Besides, the pandemic also created uncertainties on the Group’s city operations and property development operation.

Management of the Group will actively take measures to control the operating and labor costs of its hotels, pay attention to cash flow management, integrate external resources and adjust business plans to make full preparation for business recovery after the pandemic.

Given the dynamic nature of these circumstances, the related impact on the Group’s consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group’s 2020 interim and annual financial statements.



# Review report to the board of directors of Sinochem Hong Kong (Group) Company Limited (Incorporated in Hong Kong with limited liability)

## Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 3 to 39, which comprise the consolidated statement of financial position of Sinochem Hong Kong (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2020 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The directors of the Company are responsible for the preparation and presentation of interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to form a conclusion, based on our review, on the interim condensed consolidated financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



# Review report to the board of directors of Sinochem Hong Kong (Group) Company Limited (continued)

*(Incorporated in Hong Kong with limited liability)*

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as at 30 June 2020 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

## **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

16 September 2020

# Consolidated statement of comprehensive income for the six months ended 30 June 2020 - unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020	2019
		HK\$ million	(Restated) HK\$ million
<b>Continuing operations</b>			
Revenue	4	13,500	17,114
Cost of sales		(9,020)	(10,707)
<b>Gross profit</b>		4,480	6,407
Other income, gains and losses, net	6	4,563	3,823
Selling and distribution expenses		(660)	(437)
Administrative expenses		(1,810)	(1,742)
Fair value changes of investment properties		657	674
Finance costs	7(a)	(1,754)	(1,782)
Share of profits and losses of:			
Joint ventures		254	229
Associates		294	(61)
<b>Profit before taxation from continuing operations</b>	7	6,024	7,111
Income tax expense	8	(1,274)	(1,928)
<b>Profit for the period from continuing operations</b>		4,750	5,183
<b>Discontinued operations</b>	9		
Profit for the period from discontinued operations, net of tax		-	538
<b>Profit for the period</b>		4,750	5,721
Attributable to:			
Owners of the parent		1,094	2,063
Non-controlling interests		3,656	3,658
		4,750	5,721

The notes on pages 15 to 39 from part of the interim condensed consolidated financial statements.



# Consolidated statement of comprehensive income for the six months ended 30 June 2020 – unaudited (continued)

(Expressed in Hong Kong dollars)

Note	Six months ended 30 June	
	2020	2019 (Restated)
	HK\$ million	HK\$ million
<b>Profit for the period</b>	<u>4,750</u>	<u>5,721</u>
<b>Other comprehensive income for the period from continuing operations</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges, net of tax	(151)	(26)
Exchange differences on translation of foreign operations	<u>(2,894)</u>	<u>(765)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(3,045)</u>	<u>(791)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation, net of tax	-	60
Net loss on equity investments at fair value through other comprehensive income	<u>(201)</u>	<u>(47)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(201)</u>	<u>13</u>
<b>Other comprehensive income for the period from continuing operations, net of tax</b>	<b>(3,246)</b>	<b>(778)</b>

The notes on pages 15 to 39 from part of the interim condensed consolidated financial statements.

**Consolidated statement of comprehensive income**  
**for the six months ended 30 June 2020 – unaudited**  
**(continued)**  
*(Expressed in Hong Kong dollars)*

	Note	Six months ended 30 June	
		2020	2019 (Restated)
		HK\$ million	HK\$ million
<b>Other comprehensive income for the period from discontinued operations, net of tax</b>		-	(37)
<b>Total comprehensive income for the period</b>		<b>1,504</b>	<b>4,906</b>
Attributable to:			
Owners of the parent		(227)	1,498
Non-controlling interests		1,731	3,408
<b>Total comprehensive income for the period</b>		<b>1,504</b>	<b>4,906</b>

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

Consolidated statement of financial position  
as at 30 June 2020 - unaudited  
(Expressed in Hong Kong dollars)

	Note	30 June 2020 HK\$ million	31 December 2019 (Restated) HK\$ million
NON-CURRENT ASSETS			
Property, plant and equipment	10	12,030	12,216
Land under development	11	10,400	11,950
Properties under development		84,711	77,318
Investment properties		35,957	35,955
Right-of-use assets		1,719	1,806
Goodwill		2,000	2,000
Intangible assets		74	56
Investments in joint ventures		13,456	12,850
Investments in associates		10,084	8,981
Financial assets at fair value through other comprehensive income		708	910
Amounts due from related parties		5,725	32,265
Deferred tax assets		2,957	3,084
Amounts due from non-controlling shareholders		1,049	1,194
Other assets		570	4,449
Total non-current assets		181,440	205,034

The notes on pages 15 to 39 from part of the interim condensed consolidated financial statements.

## Consolidated statement of financial position as at 30 June 2020 – unaudited (continued)

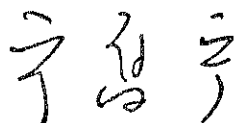
(Expressed in Hong Kong dollars)

	Note	30 June 2020  HK\$ million	31 December 2019 (Restated) HK\$ million
<b>CURRENT ASSETS</b>			
Inventories		174	194
Land under development	11	2,677	2,222
Properties under development		115,069	69,480
Properties held for sale		10,985	13,154
Trade and bills receivables	12	2,531	1,614
Contract assets		250	298
Prepayments, deposits and other receivables		38,699	33,778
Amounts due from related parties		77,222	53,339
Prepaid taxes		5,532	4,535
Restricted bank balances	13	8,503	8,384
Cash and cash equivalents	13	19,916	21,085
Other assets		3,614	52
Total current assets		<u>285,172</u>	<u>208,135</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	21,846	21,307
Other payables and accruals		125,934	92,602
Derivative financial instruments		139	121
Interest-bearing borrowings	15	50,436	41,650
Lease liabilities		66	78
Amounts due to related parties		47,117	24,799
Tax payable		2,064	2,875
Provision for land appreciation tax		2,296	3,673
Total current liabilities		<u>249,898</u>	<u>187,105</u>
NET CURRENT ASSETS		<u>35,274</u>	<u>21,030</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>216,714</u>	<u>226,064</u>

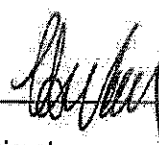
The notes on pages 15 to 39 from part of the interim condensed consolidated financial statements.

**Consolidated statement of financial position  
as at 30 June 2020 – unaudited (continued)**  
(Expressed in Hong Kong dollars)

	Note	30 June 2020 HK\$ million	31 December 2019 (Restated) HK\$ million
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	15	79,545	87,288
Lease liabilities		130	134
Deferred tax liabilities		7,682	6,783
Derivative financial instruments		135	39
Other non-current liabilities		75	78
<b>Total non-current liabilities</b>		<b>87,567</b>	<b>94,322</b>
<b>NET ASSETS</b>		<b>129,147</b>	<b>131,742</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	16	24,468	24,468
Reserves		17,494	20,291
<b>Equity attributable to owners of the parent</b>		<b>41,962</b>	<b>44,759</b>
<b>Non-controlling interests</b>		<b>87,185</b>	<b>86,983</b>
<b>TOTAL EQUITY</b>		<b>129,147</b>	<b>131,742</b>



Director



Director

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

## Consolidated statement of changes in equity for the six months ended 30 June 2020 – unaudited (continued) (Expressed in Hong Kong dollars)

Note	Attributable to owners of the parent										Non-controlling interests HK\$ million	Total equity HK\$ million
	Issued capital HK\$ million	Capital reserve HK\$ million	Asset revaluation reserve HK\$ million	Merger reserve HK\$ million	Statutory reserve HK\$ million	Fair value reserve HK\$ million	Transition reserve HK\$ million	Other contribution reserve HK\$ million	Cash flow hedge reserve HK\$ million	Retained profits HK\$ million		
	(Note (a))	(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note (e))	(Note (f))	(Note (g))	(Note (h))			
At 1 January 2019 as originally stated	24,468	(2,346)	604	(3,837)	4,572	103	(1,345)	2,433	23	20,374	73,889	118,938
Effect of adopting merger accounting for common control combination					12					37	3,791	7,539
At 1 January 2019 as restated	24,468	(2,346)	604	(3,837)	4,584	103	(1,345)	2,433	23	20,411	77,680	126,477
Profit for the period	-	-	-	-	-	-	-	-	-	2,063	2,063	5,721
Other comprehensive income for the period:												
Net loss on equity investments at fair value through other comprehensive income	-	-	-	-	-	(53)	-	-	-	-	(53)	(59)
Cash flow hedges, net of tax	-	-	-	-	-	-	(13)	-	-	-	(13)	(26)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(529)	-	-	-	(529)	(790)
Gains on property revaluation, net of tax	-	-	30	-	-	-	-	-	-	-	30	60
Total comprehensive income for the period, net of tax	-	-	30	-	-	(53)	(529)	-	(13)	2,063	3,408	4,906
Capital contribution from non-controlling shareholders	-	2	-	-	-	-	-	-	-	-	1,478	1,480
Reduction in non-controlling interests through capital injection	-	(15)	-	-	-	-	-	-	-	-	(15)	-
Exercise of share options of subsidiaries	-	62	-	-	-	-	-	-	-	-	10	72
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(1,231)	(1,231)
Transfer from retained profits	-	-	-	-	286	-	-	-	-	(286)	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	810	810
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(732)	(732)
Acquisition of non-controlling interests	-	(217)	-	-	-	-	-	-	-	(217)	(2,056)	(2,273)
Redemption of perpetual securities	-	-	-	-	-	-	-	-	-	-	(2,299)	(2,299)
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	43	43
Distribution paid on perpetual capital securities	-	-	-	-	-	-	-	-	-	-	(553)	(553)
Maintenance and production fund	-	-	-	-	-	-	-	3	-	(3)	-	-
At 30 June 2019	24,468	(2,514)	634	(138)	4,870	50	(1,874)	2,436	10	22,185	76,573	126,700

\* These reserve accounts comprise the consolidated reserves of HK\$17,494 million in the interim condensed consolidated statement of financial position.

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

## Consolidated statement of changes in equity for the six months ended 30 June 2020 – unaudited (continued) (Expressed in Hong Kong dollars)

Notes:

- (a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables; (ii) contributions made by owners for the transfer of equity interest in a joint venture to the Group in previous years; and (iii) contributions made by owners to the Company's subsidiaries.
- (b) The asset revaluation reserve of the Group arose from the change in use from owner-occupied properties to investment properties carried at fair value
- (c) The merger reserve of the Group comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies of the acquirees as consideration for the group restructuring transactions.
- (d) The statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant rules and regulations in the People's Republic of China ("PRC"), each of the Group's PRC subsidiaries is required to transfer an amount of its profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The appropriations to the reserve fund and enterprise expansion fund are determined by the articles of association of the Company's subsidiaries and are subject to the approval by the board of directors of the respective subsidiaries.
- (e) Fair value reserve comprises the cumulative net change in the fair value, of equity investments designated at fair value through other comprehensive income under HKFRS 9 that are held at the end of reporting period.
- (f) Translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than Hong Kong dollars.
- (g) The other contribution reserve mainly comprises capital contributions, maintenance and production fund, capital contribution for energy saving and emission reduction projects, and deemed contributions from equity owners net of deemed distributions to equity owners. The maintenance and production fund is appropriated/utilised in accordance with relevant PRC regulations on certain enterprises.
- (h) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.



## Condensed consolidated statement of cash flows for the six months ended 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020	2019
		HK\$ million	(Restated) HK\$ million
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations		6,655	8,783
Income tax paid		(3,309)	(3,075)
Net cash generated from operating activities		<u>3,346</u>	<u>5,708</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in loans to joint ventures and associates		(2,909)	(6,767)
Decrease in amounts due from other related parties		3,014	6,150
Increase in restricted bank balances		(282)	(1,113)
Disposal of subsidiaries	19	(729)	(1,442)
Proceeds from disposal of joint ventures and associates		1,390	506
Acquisition of subsidiaries not under common control	17	(1,242)	(365)
Decrease/(increase) in entrusted loans to non-controlling shareholders		(678)	(57)
Additions to investments in associates		(831)	(969)
Additions to investments in joint ventures		(1,212)	(3,054)
Advances of investment to third parties		(5,879)	(1,687)
Decrease in other financial assets		-	1,191
Increase in long-term time deposit		-	(3,903)
Increase in entrustment loans to a subsidiary's substantial shareholders		(349)	-
Other investing activities		<u>68</u>	<u>(133)</u>
Net cash used in investing activities		<u>(9,639)</u>	<u>(11,643)</u>

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows  
for the six months ended 30 June 2020 – unaudited  
(continued)  
(Expressed in Hong Kong dollars)

Note	Six months ended 30 June	
	2020	2019
	HK\$ million	(Restated) HK\$ million
NET CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other loans	53,281	46,714
Repayment of bank loans and other loans	(62,983)	(40,657)
Interest paid	(5,146)	(4,048)
Loans from non-controlling shareholders	1,891	2,775
Dividends paid	(532)	(852)
Acquisition of non-controlling interests	(607)	(2,273)
Increase in amounts due to related parties	21,501	9,894
Redemption of perpetual securities	-	(2,299)
Perpetual securities' distribution paid	(670)	(553)
Advanced investment received from third parties	1,173	1,833
Repayment of loans from non-controlling shareholders	(958)	(3,735)
Capital contribution from non-controlling shareholders	6,077	1,480
Payments for business combinations under common control	(7,560)	-
Other financing activities	(31)	21
Net cash generated from financing activities	5,436	8,300
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(857)	2,365

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows  
for the six months ended 30 June 2020 – unaudited  
(continued)  
(Expressed in Hong Kong dollars)

Note	<i>Six months ended 30 June</i>	
	2020	2019 (Restated)
	HK\$ million	HK\$ million
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21,085	29,432
Effect of foreign exchange rate changes, net	<u>(312)</u>	<u>(146)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>19,916</u>	<u>31,651</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	13 <u>19,916</u>	<u>31,651</u>

The notes on pages 15 to 39 form part of the interim condensed consolidated financial statements.

# Notes to interim condensed consolidated financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1. Corporate information

Sinochem Hong Kong (Group) Company Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

In the opinion of the directors, the Company's ultimate holding company is Sinochem Group Co., Ltd. (the "Sinochem Group"), and the immediate parent is Sinochem Corporation Co., Ltd. ("Sinochem Corporation"), both of which were established in the PRC.

## 2. Basis of preparation

These interim condensed consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on [10] [September] 2020.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim condensed consolidated financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 1 and 2.

## 2. Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2019 that is included in the interim condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

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

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 3. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendment to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment to HKFRS 16, *Covid-19-Related Rent Concessions* and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. The amendment did not have significant impact on the financial position and performance of the Group.

### 3. Changes in accounting policies (continued)

#### Adoption of merger accounting and restatement

As disclosed in note 18 to the interim condensed consolidated financial statements, a business combination under common control was effected during the current interim period, where the business acquired in the business combination and the Company are both ultimately controlled by Sinochem Group. The Group has applied merger accounting to account for the business combination under common control.

Under merger accounting, the interim financial information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the earliest date presented or since the date when the combining entities or businesses first came under the control of the controlling party, where this is a shorter period, regardless of the date of the business combination under common control.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill.

The comparative amounts in the interim condensed consolidated financial statements are restated as if the combining entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later. The impact on the Group arising from the common control combination is disclosed in note 18 to this interim condensed consolidated financial statements.

### 4. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	HK\$ million	(Restated) HK\$ million
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products of service lines		
- Sale of properties	6,662	11,741
- Land development	4,292	2,257
- Hotel operations	416	1,121
- Others	1,363	1,160
	12,733	16,279
<b>Revenue from other sources</b>		
Gross rental income	767	835
<b>Total revenue</b>	<b>13,500</b>	<b>17,114</b>

## 5. Segment reporting

The Group organises its business activities into two operating segments: real estate and others (mainly securities investments). The following is an analysis of the Group's revenue and results by operating segment:

	Real estate HK\$ million	Others HK\$ million	Elimination HK\$ million	Consolidated HK\$ million
Six months ended 30 June 2020				
REVENUE FROM CONTINUING OPERATIONS				
External sales	13,351	149	-	13,500
Inter-segment sales	-	121	(121)	-
Total	13,351	270	(121)	13,500
Segment profit	3,207	147	(117)	3,237
Interest income				1,832
Finance costs				(1,754)
Gain on disposal of subsidiaries				581
Gain on bargain purchase				153
Gain on equity interest previously held as investments in associates				1,427
Share of profits and losses of:				
Joint ventures				254
Associates				294
Profit before taxation from continuing operations				6,024
	Real estate	Others	Elimination	Consolidated (Restated)
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Six months ended 30 June 2019				
REVENUE FROM CONTINUING OPERATIONS				
External sales	16,926	188	-	17,114
Inter-segment sales	15	741	(756)	-
Total	16,941	929	(756)	17,114
Segment profit	5,566	903	(822)	5,647
Interest income				1,425
Finance costs				(1,782)
Gain on disposal of subsidiaries				889
Gain on bargain purchase				462
Gain on equity interest previously held as investments in associates				302
Share of profits and losses of:				
Joint ventures				229
Associates				(61)
Profit before taxation from continuing operations				7,111

Segment profit represents the results earned by each segment without allocation of interest income, finance costs, gain on disposal of subsidiaries, gain on bargain purchase, gain on equity interest previously held as investments in associates and share of results of joint ventures and associates.

## 6. Other income, gains and losses, net

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
		<i>(Restated)</i>
	HK\$ million	HK\$ million
Bank interest income	323	273
Interest on other advances	1,311	1,057
Interest on other financial assets	198	95
Government grants (Note i)	38	33
Penalty income	21	7
Sundry income, net	25	21
	<u>1,916</u>	<u>1,486</u>
Gain on disposal of subsidiaries (Note 19)	581	889
Gain on bargain purchase (Note 17)	153	462
Gain on equity interest previously held as investments in joint ventures and associates (Note 17)	1,427	302
Gain on disposal of equity investments designated at fair value through profit or loss	46	(31)
Foreign exchange difference, net	34	17
Gain on disposal of joint ventures	408	-
Fair value gains/(losses), net:		
Derivative financial instruments	(11)	(9)
Transfers from properties held for sale to investment properties	-	305
Gain on disposal of property, plant and equipment	-	1
Other income	9	401
	<u>2,647</u>	<u>2,337</u>
Other income, gains and losses, net	<u>4,563</u>	<u>3,823</u>

Note:

- (i) Government grants mainly comprised proceeds received or receivable from the PRC government to support the development of the businesses of group entities in accordance with applicable regulations in the PRC.



## 7. Profit before taxation from continuing operations

The Group's profit before taxation from continuing operations is arrived at after charging:

### (a) Finance costs

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
		<i>(Restated)</i>
	HK\$ million	HK\$ million
Interest on interest bearing borrowings	4,925	4,267
Less: interest expense capitalised	(3,172)	(2,506)
Total interest expenses	1,753	1,761
Transaction costs	1	21
	<u>1,754</u>	<u>1,782</u>

### (b) Other items

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
		<i>(Restated)</i>
	HK\$ million	HK\$ million
Amortisation of intangible assets	8	14
Depreciation of owned property, plant and equipment	230	247
Depreciation of right-of-use assets	<u>84</u>	<u>62</u>

## 8. Income tax expense

	<i>Six months ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	HK\$ million	(Restated) HK\$ million
Hong Kong profits tax:		
Current tax	-	-
PRC tax:		
PRC corporate income tax	986	1,277
Land appreciation tax ("LAT")	15	645
	<u>1,001</u>	<u>1,922</u>
Tax in other jurisdictions:		
Current tax	-	-
Deferred taxation	<u>273</u>	<u>6</u>
	<u>1,274</u>	<u>1,928</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for both periods.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for both periods.

Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

According to the requirements of the *Provisional Regulations of the PRC on LAT* (中华人民共和国土地增值税暂行条例) effective from 1 January 1994, and the *Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT* (中华人民共和国土地增值税暂行条例实施细则) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including borrowing costs and all property development expenditure.

## 9. Discontinued operations

On 30 December 2019, the Company disposed of all of its equity interests in Sinofert Holdings Limited to China Chemical (Shanghai) Agriculture Technology Corporation Ltd., a subsidiary of China National Chemical Corporation Ltd. ("ChemChina").

On 30 December 2019, the Company disposed of all of its equity interests in Sinochem (United Kingdom) Limited to CNAC (HK) Holdings Company Limited., a subsidiary of ChemChina.

On 30 December 2019, the Group disposed of all of its equity interests in Sinochem Trading (Singapore) Pte Ltd. to Sinochem Lantian Co., Ltd., a fellow subsidiary of the Company, for a cash consideration of US\$8,542,382.57 (equivalent to HK\$66,548,000).

The above disposal subsidiaries are principally engaged in sale of fertilisers and chemical products. The consolidated results of the disposal subsidiaries for the period from 1 January 2019 to 30 June 2019 have been presented as discontinued operations in the consolidated financial statements in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operation* and the comparative figures of the consolidated statement of comprehensive income and corresponding notes have been restated to show the discontinued operation separately from continuing operations.

### (a) Results of discontinued operations:

	<i>Six months ended 30 June 2019 HK\$ million</i>
<b>Revenue</b>	16,271
Cost of sales	<u>(14,971)</u>
<b>Gross profit</b>	1,300
Other income, gains and losses, net	164
Selling and distribution expenses	(493)
Administrative expenses	(350)
Finance costs	(111)
Share of profits and losses of:	
Joint ventures	20
Associates	<u>17</u>
<b>Profit before taxation from discontinued operations</b>	547
Income tax expense	<u>(9)</u>
<b>Profit for the period from discontinued operations</b>	<u><u>538</u></u>

## 9 Discontinued operations (continued)

Six months ended  
30 June 2019  
HK\$ million

<b>Profit for the period from discontinued operations</b>	<u>538</u>
<b>Other comprehensive income</b>	
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:	
Exchange differences on translation of financial statements of foreign operations	(25)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:	
Changes in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI"), net of tax	<u>(12)</u>
<b>Other comprehensive income for the period from discontinued operations, net of tax</b>	<u>(37)</u>
<b>Total comprehensive income for the period from discontinued operations, net of tax</b>	<u><u>501</u></u>

### (b) Cash flows generated from discontinued operations:

Six months ended  
30 June 2019  
HK\$ million

Net cash generated from operating activities	215
Net cash used in investing activities	(304)
Net cash generated from financing activities	1,092
Effect of foreign exchange rate changes, net	<u>(17)</u>
<b>Net cash inflow</b>	<u><u>986</u></u>

## 10. Property, plant and equipment

### *Acquisitions and disposals of owned assets*

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with total costs of HK\$ 221 million (2019: HK\$ 262 million). Items of property, plant and equipment with net book value of HK\$ 3 million were disposed (2019: HK\$ 25 million), resulting in a gain on disposal of HK\$ Nil (2019: a gain on disposal of HK\$ 1 million).

## 11. Land under development

Land under development represents the project costs, land requisition costs, compensation costs and other preliminary infrastructure costs incurred by China Jinmao Holdings Group Limited ("Jinmao"), in relation to the land development projects in Mainland China (the "Projects"). Though Jinmao does not have the ownership title or land use rights to such land, it is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, Jinmao is entitled to receive from the local authorities the land development fee.

## 12. Trade and bills receivables

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Trade and bills receivables	2,549	1,632
Impairment allowance	<u>(18)</u>	<u>(18)</u>
Trade and bills receivables, net of impairment allowance	<u>2,531</u>	<u>1,614</u>

As of the end of the reporting period, the ageing analysis of trade and bills receivables, net of impairment allowance, presented based on the invoice date is as follows:

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Within 3 months	2,301	1,406
3 to 12 months	192	135
Over 12 months	<u>38</u>	<u>73</u>
Trade and bills receivables, net of impairment allowance	<u>2,531</u>	<u>1,614</u>

### 13. Cash and cash equivalents

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Cash and bank balances	19,724	20,931
Time deposits	<u>12,308</u>	<u>12,222</u>
	32,032	33,153
Less: Restricted bank balances	8,503	8,384
Less: Long-term time deposit	<u>3,613</u>	<u>3,684</u>
Cash and cash equivalents	<u>19,916</u>	<u>21,085</u>

### 14. Trade and bills payables

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Within one year	20,670	20,569
Over one year	<u>1,176</u>	<u>738</u>
	<u>21,846</u>	<u>21,307</u>

## 15. Interest-bearing borrowings

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Current:		
Bank loans, secured	4,592	2,743
Bank loans, unsecured	13,721	12,831
Guaranteed senior notes, unsecured	15,954	11,520
Notes issued under the medium-term note programme, unsecured	1,094	-
Bonds, unsecured	6,038	5,555
Domestic corporate bonds, unsecured	497	507
Notes, unsecured	876	-
Other loans, unsecured	7,664	8,494
	<u>50,436</u>	<u>41,650</u>
Non-current:		
Bank loans, secured	12,813	12,940
Bank loans, unsecured	20,895	16,364
Guaranteed senior notes, unsecured	14,910	19,494
Notes issued under the medium term note programme, unsecured	4,682	5,787
Domestic corporate bonds, unsecured	6,897	4,242
Bonds, unsecured	547	3,368
Other loans, unsecured	18,801	25,093
	<u>79,545</u>	<u>87,288</u>
Total	<u>129,981</u>	<u>128,938</u>
	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Carrying amounts repayable:		
Within one year	50,436	41,650
In the second year	17,938	23,742
In the third to fifth years, inclusive	40,639	43,296
More than five years	20,968	20,250
	<u>129,981</u>	<u>128,938</u>

## 16. Share capital

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Issued and fully paid:		
24,468,400,000 (2019: 24,468,400,000) ordinary shares	<u>24,468</u>	<u>24,468</u>

## 17. Business combinations not under common control

Business combinations during the period mainly included Jinmao's acquisitions of several property development companies and acquisition of additional investments in joint ventures (collectively referred to as the "Acquirees"). The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

The Group remeasured the fair values of the equity interests previously accounted for as investments in joint ventures at the date of acquisition, and fair value gains of HK\$ 1,427 million were recognised in other income, gains and losses, net in the consolidated statement of comprehensive income during the six months ended 30 June 2020 (note 6).

The Group has elected to measure the non-controlling interests in the Acquirees at the non-controlling interests' proportionate share of the Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:



## 17. Business combinations not under common control (continued)

	Six months ended 30 June 2020 HK\$ million
Note	
Property, plant and equipment	3
Properties under development	27,391
Right-of-use assets	5
Intangible assets	2
Deferred tax assets	8
Prepayments, other receivables, and other assets	617
Prepaid taxes	943
Cash and cash equivalents	448
Trade and bills payables	(317)
Other payables and accruals	(8,174)
Interest-bearing borrowings	(13,442)
Lease liabilities	(3)
Deferred tax liabilities	(797)
	<hr/>
Total identifiable net assets at fair value	6,684
Non-controlling interests	(694)
	<hr/>
	5,990
Gain on bargain purchase recognised in other income, gains and losses, net in the consolidated statement of comprehensive income	6 <hr/> (153)
	<hr/>
	5,837
Fair value of equity interest previously held as investments in joint ventures	<hr/> (1,605)
	<hr/>
Total consideration paid in cash (note)	<hr/> 4,232

Note: Cash consideration of HK\$ 2,542 million had been prepaid by Jinmao as at 31 December 2019, and the remaining cash consideration of HK\$ 1,690 million was paid during the six months ended 30 June 2020.

## 17. Business combinations not under common control (continued)

The fair values of its other receivables as at the date of acquisition amounted to HK\$ 617 million, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of HK\$ 0.17 million for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group recognised a gain on bargain purchase of approximately HK\$ 153 million in the consolidated statement of comprehensive income for the six months ended 30 June 2020, which was, in the opinion of the directors, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transactions with the independent third parties, as Jinmao has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the projects.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	<i>Six months ended</i> <i>30 June</i> <i>2020</i> HK\$ million
Cash consideration	(4,232)
Cash consideration prepaid in prior year	2,542
Cash and cash equivalents acquired	<u>448</u>
Net outflow of cash and cash equivalents included in net cash flows from investing activities	<u>(1,242)</u>

Since the acquisition, the Acquirees had no contribution to the Group's revenue and caused a loss of HK\$ 77 million to the consolidated results for the six months ended 30 June 2020 in aggregate.

Had the combination taken place at the beginning of the period, the revenue and the profit for the period from continuing operations of the Group would have been HK\$ 13,500 million and HK\$ 4,704 million, respectively.

## **18. Business combination under common control and restatements**

On 12 June 2020, Jinmao acquired 100% equity interests of Wuhan Huazi Enterprise Management Consulting Co., Ltd. ("Wuhan Huazi") from Sinochem Asset Management Co., Ltd. ("Sinochem Asset Management") at a cash consideration of HK\$ 7,560 million). Wuhan Huazi and its subsidiaries are principally engaged in property development, construction and operation of real estate projects in Qingdao and Tianjin, the PRC. Sinochem Asset Management is a wholly-owned subsidiary of Sinochem Group. Since the Group and the above acquired subsidiaries are all under the common control of Sinochem Group and that control is not transitory, the above acquisition was regarded as a business combination under common control and the Group adopted merger accounting in respect of the transaction.

The effects of the application of merger accounting for the business combination under common control occurred during the six months ended 30 June 2020 on the Group's financial position as at 31 December 2019 and the results for the six months ended 30 June 2019 are summarised as follows:

**18. Business combination under common control and restatements (continued)**

	<i>Six months ended 30 June 2019</i>		
	<i>As originally stated HK\$ million</i>	<i>Acquired subsidiaries under common control HK\$ million</i>	<i>As restated HK\$ million</i>
Revenue from continuing operations	<u>17,114</u>	<u>-</u>	<u>17,114</u>
Profit before taxation from continuing operations	7,096	15	7,111
Income tax expense	<u>(1,923)</u>	<u>(5)</u>	<u>(1,928)</u>
Profit for the period from continuing operations	5,173	10	5,183
Profit for the period from discontinued operations, net of tax	<u>538</u>	<u>-</u>	<u>538</u>
Profit for the period	<u>5,711</u>	<u>10</u>	<u>5,721</u>
Profit attributable to:			
Owners of the parent	2,058	5	2,063
Non-controlling interests	<u>3,653</u>	<u>5</u>	<u>3,658</u>
Profit for the period	<u>5,711</u>	<u>10</u>	<u>5,721</u>
Other comprehensive income for the period from continuing operations, net of tax	(778)	-	(778)
Other comprehensive income for the period from discontinued operations, net of tax	<u>(37)</u>	<u>-</u>	<u>(37)</u>
Total comprehensive income for the period	<u>4,896</u>	<u>10</u>	<u>4,906</u>
Total comprehensive income for the period attributable to:			
Owners of the parent	1,493	5	1,498
Non-controlling interests	<u>3,403</u>	<u>5</u>	<u>3,408</u>
Total comprehensive income for the period	<u>4,896</u>	<u>10</u>	<u>4,906</u>

**18. Business combination under common control and restatements (continued)**

	<i>As at 31 December 2019</i>			
	<i>As originally stated</i>	<i>Acquired subsidiaries under common control</i>	<i>Elimination</i>	<i>As restated</i>
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets	200,094	4,940	-	205,034
Current assets	203,327	4,808	-	208,135
<b>Total assets</b>	<b>403,421</b>	<b>9,748</b>	<b>-</b>	<b>413,169</b>
Current liabilities	184,930	2,175	-	187,105
Non-current liabilities	94,090	232	-	94,322
<b>Total liabilities</b>	<b>279,020</b>	<b>2,407</b>	<b>-</b>	<b>281,427</b>
<b>Net assets</b>	<b>124,401</b>	<b>7,341</b>	<b>-</b>	<b>131,742</b>
Share capital	24,468	7,441	(7,441)	24,468
Reserves	17,677	(100)	2,714	20,291
	42,145	7,341	(4,727)	44,759
Non-controlling interests	82,256	-	4,727	86,983
<b>Total equity</b>	<b>124,401</b>	<b>7,341</b>	<b>-</b>	<b>131,742</b>

## 19. Disposal of subsidiaries

For the six months ended 30 June 2020 and 30 June 2019, the Group lost control over certain subsidiaries.

Details of the financial impacts are summarised below:

	Note	Six months ended 30 June 2020 HK\$ million	2019 HK\$ million
Net assets disposed of:			
Property, plant and equipment		-	1
Properties under development		8,092	7,859
Deferred tax assets		43	26
Prepayments, deposits and other receivables		48	3,574
Prepaid taxes		75	497
Cash and cash equivalents		1,028	1,442
Trade and bills payables		(81)	(520)
Other payables and accruals		(6,374)	(7,254)
Interest-bearing borrowings		(1,299)	(4,416)
		1,532	1,209
Non-controlling interests		(1,130)	(732)
		402	477
Fair value of interests retained by the Group		(684)	(1,366)
Gain on disposal of subsidiaries	6	581	889
Cash consideration		299	-
Satisfied by:			
Cash		299	-

An analysis of the net cash outflow in respect of the disposal of subsidiaries is as follows:

	Six months ended 30 June 2020 HK\$ million	2019 HK\$ million
Cash consideration	299	-
Cash and cash equivalents disposed of	(1,028)	(1,442)
Net cash outflow in respect of the disposal of subsidiaries	(729)	(1,442)

## 20. Commitments

	30 June 2020	31 December 2019 (Restated)
	HK\$ million	HK\$ million
Contracted, but not provided for:		
Property, plant and equipment	8	5
Properties under development	46,798	39,489
Land under development	3,014	2,583
Capital contributions to joint ventures and associates	7,413	5,953
	<u>57,233</u>	<u>48,030</u>

## 21. Related party transactions

In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	<u>Six months ended 30 June</u> 2020	2019 (Restated)
	HK\$ million	HK\$ million
The ultimate parent:		
Purchase of fertilisers	-	56
Interest expense	1	-
Rental income	4	5
The immediate parent:		
Rental income	49	48
Property management fee income	6	6
Interest income	15	91
Interest expense	219	56
Fellow subsidiaries:		
Sales of fertilisers	-	358
Interest expense	143	63
Rental income	137	149
Property management fee income	26	27
Building decoration services income	-	2
Interest income	25	56
Interests income for financial assets from related parties	-	8
Purchase of financial assets from related parties	-	92

## 21. Related party transactions (continued)

	Six months ended 30 June	
	2020	2019
	HK\$ million	(Restated) HK\$ million
Associates:		
Purchase of fertilisers	-	29
Property management fee income	33	19
Interest income	376	227
Consulting fee income	49	13
Interest expense	9	-
Building decoration services income	157	16
Joint ventures:		
Sale of fertilisers	-	193
Interest income	876	603
Purchase of fertilisers	-	926
Consulting fee income	15	9
Rental income	2	2
Property management fee income	40	32
Building decoration services income	146	92
Interest expense	166	19
Consulting fee expense	181	80
An associate of the Group's ultimate holding company:		
Rental income	5	5
Sales of fertilisers	-	99
Purchase of fertilisers	-	694
Substantial shareholders of Jinmao		
Interest income	45	-
Interest expense	348	-

## 22. Contingent liabilities

At the end of the reporting period, Jinmao had provided guarantees in respect of mortgage facilities for certain purchasers of Jinmao's properties amounting to approximately HK\$ 33,992 million (31 December 2019: HK\$ 25,527 million).



## **23. Fair value and fair value hierarchy**

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2019 and 30 June 2020.

The Group's corporate finance is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at FVOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate market observable inputs including the foreign exchange spot and forward rates.

## 23. Fair value and fair value hierarchy (continued)

### *Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Assets measured at fair value:

As at 30 June 2020

	<i>Fair value measurement using</i>			
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Equity investments designated at FVOCI	690	-	18	708
Other financial assets	-	173	-	173
	<u>690</u>	<u>173</u>	<u>18</u>	<u>881</u>

As at 31 December 2019

	<i>Fair value measurement using</i>			
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Equity investments designated at FVOCI	892	-	18	910
Other financial assets	51	364	-	415
	<u>943</u>	<u>364</u>	<u>18</u>	<u>1,325</u>

## 23. Fair value and fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total HK\$ million
	Quoted prices in active markets (Level 1) HK\$ million	Significant observable inputs (Level 2) HK\$ million	Significant unobservable inputs (Level 3) HK\$ million	
Derivative financial instruments	-	274	-	274

As at 31 December 2019

	Fair value measurement using			Total HK\$ million
	Quoted prices in active markets (Level 1) HK\$ million	Significant observable inputs (Level 2) HK\$ million	Significant unobservable inputs (Level 3) HK\$ million	
Derivative financial instruments	-	160	-	160

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

## 24. Events after the reporting period

- (a) On 3 July 2020, Jinmao and a placing agent entered into a placing agreement, pursuant to which Jinmao agreed to appoint the placing agent, and the placing agent agreed to act as agent for Jinmao, to procure placees to subscribe for, or failing which to subscribe as principal, 602,340,000 ordinary shares of Jinmao at HK\$5.70 per share (the "Placing Agreement"). On 13 July 2020, Jinmao completed the placing of 602,340,000 ordinary shares to independent third parties at HK\$5.70 per share with net proceeds amounted to approximately HK\$3,416 million.

## **24. Events after the reporting period (continued)**

On 3 July 2020, Jinmao also entered into a subscription agreement with the Company, pursuant to which the Company conditionally agreed to subscribe for and Jinmao conditionally agreed to allot and issue 349,450,000 ordinary shares at HK\$5.70 per share (the "Subscription Agreement"). The completion of the subscription is conditional upon the satisfaction of the following conditions on or before 31 December 2020 (or such later date as may be agreed between Jinmao and the Company in writing): (1) the completion of the placing having occurred pursuant to the Placing Agreement; (2) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal with in, all the subscription shares (and such listing and permission not subsequently being revoked); and (3) the passing of resolution by the independent shareholders to approve the Subscription Agreement and the transactions contemplated thereunder at the extraordinary general meeting of Jinmao. The above subscription has been completed on 31 August 2020.

- (b) On 10 July 2020, Jinmao completed the issuance of the medium-term notes in a principal amount of RMB2,500,000,000. The medium-term notes are unsecured and have a term of 3 years with a fixed rate of 3.8% per annum.

## **25. Impact of COVID-19**

Due to the outbreak of coronavirus ("COVID-19"), the tourism and hospitality industry have been devastated, and the COVID-19 has produced a negative impact on the hotel operations of the Group in the first half of 2020. It is expected that the performance of the Group's hotel operations and the commercial leasing and retail operations in the second half of 2020 will also be negatively affected.

Management of the Group will actively take measures to control the operating and labor costs of its hotels, pay attention to cash flow management, integrate external resources and adjust business plans to make full preparation for business recovery after the pandemic. Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 annual financial statements.

## **26. Comparative figures**

As further explained in notes 3 and 18 to the unaudited interim condensed consolidated financial statements, due to the business combination under common control during the period, the comparative amounts in the interim condensed consolidated financial statements have been restated.

The comparative amount in the consolidated statement of comprehensive income has been re-presented as the businesses of the companies mentioned in note 9 were disposed of during 2019.

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