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本公告並非歐洲經濟區(「**EEA**」)成員國實施的歐盟指令2003/71/EC(及其任何修訂)所界定的招股章程。

無PRIIPs重要資訊文件 — 由於並非針對EEA或英國散戶作出，故並無編製PRIIPs重要資訊文件。

本公告及有關據此提呈發行證券的任何其他文件或資料並非由英國《2000年金融服務與市場法》(經修訂)第21條所界定的認可人士發佈，而有關文件及／或資料亦未經其批准。因此，有關文件及／或資料並不會向英國公眾人士派發，亦不得向英國公眾人士傳遞。有關文件及／或資料僅作為財務推廣向在英國擁有相關專業投資經驗及屬於《2000年金融服務與市場法》2005年(財務推廣)命令(經修訂)(「**財務推廣命令**」)第19(5)條所界定的投資專業人士，或屬於財務推廣命令第49(2)(a)至(d)條範圍的人士，或根據財務推廣命令可以其他方式合法向其發佈有關文件及／或資料的任何其他人士(所有上述人士統稱為「**有關人士**」)發佈。於英國，據此提呈發售的證券僅針對有關人士作出，而本公告涉及的任何投資或投資活動將僅與有關人士進行。任何在英國並非有關人士的人士不應根據本公告或其任何內容採取行動或加以依賴。



海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)第13.10B條刊發。

茲提述雅居樂集團控股有限公司(「本公司」)日期為2021年5月10日、2021年5月11日及2021年5月18日有關原有票據的公告及日期為2021年6月1日有關額外票據發行的公告(「該等公告」)。除另有界定者外，本公告所用詞彙具有該等公告所賦予的相同涵義。

請參閱本公告所附日期為2021年5月31日有關額外票據發行的發售備忘錄(「發售備忘錄」)，而其亦可於2021年6月8日在新加坡證券交易所有限公司網站獲得。

於聯交所網站登載發售備忘錄僅為方便向香港投資者作出相同的資料發佈及遵守上市規則第13.10B條，並無任何其他目的。

發售備忘錄並不構成於任何司法權區向公眾要約出售任何證券的招股章程、通告、通函、冊子或廣告，亦非向公眾要約認購或購買任何證券的邀請，且不在於邀請公眾提出認購或購買任何證券的要約。

發售備忘錄不應被視為誘使認購或購買本公司任何證券及不擬構成該等勸誘。不應根據發售備忘錄所載資料作出投資決定。

承董事會命
雅居樂集團控股有限公司
公司秘書
張立基

香港，2021年6月9日

於本公告日期，董事會由十二名成員組成：即陳卓林先生* (主席兼總裁)、陳卓賢先生**(副主席)、陸倩芳女士**(副主席)、陳卓雄先生*、黃奉潮先生*、陳忠其先生*、陳卓喜先生**、陳卓南先生**、鄭漢鈞博士#、鄺志強先生#、許照中先生#及黃紹開先生#。

* 執行董事

** 非執行董事

獨立非執行董事

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES

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

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

THE FOLLOWING SUPPLEMENTAL OFFERING MEMORANDUM 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 UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your representation: In order to be eligible to view this supplemental offering memorandum or make an investment decision with respect to the securities, investors must be non-U.S. persons (as defined under Regulation S under the Securities Act) outside the United States. By accepting the e-mail and accessing this supplemental offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are non-U.S. persons outside the United States and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such supplemental offering memorandum by electronic transmission.

The attached supplemental offering memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

Prohibition of sales to EEA retail investors — The securities described in the attached supplemental offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended (“MiFID II”); 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 as amended (the “PRIIPs Regulation”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The communication of the attached supplemental offering memorandum and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the securities described in the attached supplemental offering memorandum are only available to, and any investment or investment activity to which the attached supplemental offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached supplemental offering memorandum or any of its contents.

You are reminded that this supplemental offering memorandum has been delivered to you on the basis that you are a person into whose possession this supplemental offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this supplemental offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This supplemental offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Initial Purchasers, or The Hongkong and Shanghai Banking Corporation Limited as trustee, principal paying agent, transfer agent, registrar and collateral agent, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the supplemental offering memorandum distributed to you in electronic format and the hard copy version available to you on request.

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AGILE GROUP HOLDINGS LIMITED

(incorporated with limited liability under the laws of the Cayman Islands)

US\$150,000,000 5.5%

Senior Notes due 2026

(to be consolidated and form a single series with the US\$300,000,000 5.5%

Senior Notes due 2026 issued on May 17, 2021)

Issue Price: 99.570%

plus accrued interest from (and including) May 17, 2021 to (but excluding) June 7, 2021

Agile Group Holdings Limited (the “Company”) is offering US\$150,000,000 5.5% senior notes due 2026 (the “New Notes”). The New Notes will be issued under the indenture dated May 17, 2021 (the “Indenture”) governing the Company’s outstanding US\$300,000,000 5.5% senior notes due 2026 issued on May 17, 2021 (the “Original Notes” and, together with the New Notes, the “Notes”). The New Notes constitute Additional Notes under the Indenture and are identical in all respects to the Original Notes, other than with respect to the issue date and issue price. The New Notes will form a single series with the Original Notes. Upon completion of this offering, the aggregate principal amount of the outstanding Notes will be US\$450,000,000. The Notes will bear interest from May 17, 2021, at 5.5% per annum payable semi-annually in arrears on May 17 and November 17 of each year, beginning November 17, 2021, and will mature on May 17, 2026.

This supplemental offering memorandum incorporates the information contained in the attached original offering memorandum dated May 10, 2021 (the “Original Offering Memorandum”) and should be read in conjunction with the Original Offering Memorandum. To the extent there is any inconsistency between any information in this supplemental offering memorandum and the Original Offering Memorandum, the information in this supplemental offering memorandum shall prevail. Terms not defined in this supplemental offering memorandum have the meanings given to them in the Original Offering Memorandum.

The Notes are senior obligations of the Company guaranteed (the “Subsidiary Guarantees”) by our existing subsidiaries (the “Subsidiary Guarantors”) other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “Description of the Note” in the Original Offering Memorandum. In addition, the Notes shall be secured by certain collateral.

We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after May 17, 2024, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to May 17, 2024, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company at a redemption price of 105.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may redeem the Notes, in whole but not in part, at any time prior to May 17, 2024, at a price equal to 100% of the principal amount of the Notes plus the applicable premium as set forth in this offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control (as defined under the “Description of the Notes” in the Original Offering Memorandum), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The Notes will (1) rank at least pari passu in right of payment against the Company with respect to the Existing Pari Passu Secured Indebtedness (as defined under the “Description of the Notes” in the Original Offering Memorandum) and all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law), (2) rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) be effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and (4) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, which will not provide guarantee for the Notes. However, applicable law may limit the enforceability of the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” in the Original Offering Memorandum.

For a more detailed description of the Notes, see “Description of the Notes” in the Original Offering Memorandum.

Investing in the Notes involves risks. See “Risk Factors” in the Original Offering Memorandum before investing in the Notes.

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. Under the rules of the SGX-ST, the Notes, if traded on the SGX-ST, are required to be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000. This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Please see the selling restrictions set out under the section “Selling Restrictions” in the Original Offering Memorandum.

The New Notes are expected to be rated BB– by Standard & Poor’s Ratings Services. The credit rating accorded to the Notes is not a recommendation to purchase, hold or sell the Notes in as much as such rating does not comment as to market price or suitability for a particular investor.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered, sold or delivered within the United States or to or for the benefit of U.S. persons except pursuant to exemptions from, or on a transaction not subject to, the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States to non-U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions in compliance with Regulation S under the Securities Act (“Regulation S”) and in accordance with any other applicable laws. For a description of certain restrictions on resale or transfer, see “Transfer Restrictions”.

It is expected that delivery of the New Notes will be made on or about June 7, 2021 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BOC International

BOCOM
International

China
CITIC Bank
International

Guotai Junan
International

Haitong
International

The Bank of
East Asia, Limited

The date of this supplemental offering memorandum is May 31, 2021

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This supplemental offering memorandum has been prepared by us solely for use in connection with the proposed offering of the New Notes. We as well as BOCI Asia Limited, BOCOM International Securities Limited, China CITIC Bank International Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and The Bank of East Asia, Limited (the “Managers” or the “Initial Purchasers”), reserve the right to withdraw the offering of the New Notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the New Notes offered hereby.

This supplemental offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this supplemental offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this supplemental offering memorandum or that the information contained in this supplemental offering memorandum is correct as of any time after that date.

Notice to Prospective Investors in the European Economic Area

This supplemental offering memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

PRIIPs Regulations/Prohibition of sales to EEA retail investors — The New 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 EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended “MiFID II”); 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 as amended (the “PRIIPs Regulation”) for offering or selling the New

Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

Notice to Prospective Investors in the United Kingdom

The communication of this supplemental offering memorandum and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the securities described in this supplemental offering memorandum are only available to, and any investment or investment activity to which this supplemental offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this supplemental offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS (OTHER THAN CHINA CITIC BANK INTERNATIONAL LIMITED) APPOINTED AND ACTING IN ITS CAPACITY AS A STABILIZATION MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME.

This supplemental offering memorandum is personal to the prospective investor to whom it has been delivered by the Manager and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the New Notes. Distribution of this supplemental offering memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. The prospective investor, by accepting delivery of this supplemental offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this supplemental offering memorandum.

This supplemental offering memorandum is intended solely for the purpose of soliciting indications of interest in the New Notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Indenture governing the New Notes and other transaction documents described herein. The information provided is not all-inclusive. The market information in this supplemental offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. Notwithstanding any investigation that the Manager may have conducted with respect to the information contained herein, the Manager not accept any liability in relation to the information contained in this supplemental offering memorandum or its distribution or with regard to any other information supplied by or on our behalf.

You should rely only on the information contained in this supplemental offering memorandum. We have not authorized anyone to provide you with information that is different. This supplemental offering memorandum may only be used where it is legal to sell the New Notes. The information in this document may only be accurate at the date of this supplemental offering memorandum. Neither the delivery of this supplemental offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

We confirm that, after having made all reasonable inquiries, this supplemental offering memorandum contains all information with regard to us and the New Notes which is material to the offering and sale of the New Notes, that the information contained in this supplemental offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this supplemental offering memorandum which, by their absence herefrom, make this supplemental offering memorandum misleading in any material respect. We accept responsibility accordingly.

Each person receiving this supplemental offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Manager or any person affiliated with the Manager in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Manager.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold or delivered within the United States or to or for the benefit of U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to exemptions from, or on a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act ("Regulation S") and in accordance with any other applicable laws.

We are not, and the Manager is not, making an offer to sell the New Notes in any jurisdiction except where an offer or sale is permitted. The New Notes are subject to restrictions on transferability and resale. Purchasers of the New Notes may not transfer or resell the New Notes except as permitted under the Securities Act and applicable state securities laws. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

None of us, the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent, or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the New Notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisers as to legal, tax, business, financial and related aspects of a purchase of the New Notes. None of the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent or any of their respective affiliates, directors or advisers has independently verified the information contained in this supplemental offering memorandum or makes any representation, warranty or undertaking, express or implied, to

review the financial conditions or affairs of the Company or the Group (as defined herein) during the life of the arrangements contemplated by this supplemental offering memorandum nor to advise any investor or potential investor in the New Notes of any information coming to the attention of the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this supplemental offering memorandum. To the fullest extent permitted by law, none of the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent accepts any responsibility for the contents of this supplemental offering memorandum or for any other statement made or purported to be made by the Manager or on its behalf in connection with us or the issue and offering of the New Notes. Each of the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this supplemental offering memorandum or any such statement.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the New Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this supplemental offering memorandum. For a detailed description of the Notes, see the section entitled “Description of the Notes” in the Original Offering Memorandum. The terms and conditions of the Notes prevail to the extent of any inconsistency with the summary set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the New Notes” and “Description of the Notes” in the Original Offering Memorandum.

Issuer	Agile Group Holdings Limited (the “Company”).
New Notes Offered	US\$150,000,000 5.5% Senior Notes due 2026 (the “New Notes”) to be consolidated and form a single series with the US\$300,000,000 5.5% Senior Notes due 2026 issued on May 17, 2021 (the “Original Notes” and, together with the New Notes, the “Notes”). The terms of the New Notes are the same as those for the Original Notes in all respects except for the issue date and issue price.
Offering Price	99.570% of the principal amount of the New Notes, plus accrued interest from (and including) May 17, 2021 to (but excluding) June 7, 2021.
Maturity Date	May 17, 2026
US Distribution Compliance Period	Expire on the same date as that of the Original Notes
Interest and Interest Payment Dates	The Notes bear interest at a rate of 5.5% per annum payable semi-annually in arrears on May 17 and November 17 of each year, commencing November 17, 2021.
Form, Denomination and Registration	The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.
Book-Entry Only	The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry; Delivery and Form.”
Delivery of the New Notes	The Company expects to make delivery of the New Notes, against payment in same-day funds, on or about June 7, 2021, which the Company expects will be the fifth business day following the date of this supplemental offering memorandum referred to as “T+5”. You should note that initial trading of the New Notes may be affected by the T+5 settlement. See “Plan of Distribution.”

Listings. The Original Notes are listed on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

Rating. The Original Notes are rated BB- by Standard and Poor's Rating Services and we do not expect the ratings to change as a result of the issuance of the New Notes. We cannot assure investors that this rating will not be adversely revised or withdrawn either before or after delivery of the New Notes.

ISIN	ISIN	Common Code
	XS 2343627712	234362771

RECENT DEVELOPMENTS

On May 24, 2021, the Company (as borrower) and certain of its subsidiaries (as guarantors) entered into a facility agreement with certain financial institutions pursuant to which a term loan facility comprising two tranches in the amount of HKD5,253,000,000 and US\$28,500,000 (with a greenshoe option of US\$1,200,000,000) with a term of 36 months has been granted to the Company at the rate of interest equivalent to the aggregate of a margin rate of 3.5% per annum plus the Hong Kong interbank offered rate for Hong Kong Dollars on the relevant date (in respect of HKD loan) or the London interbank offered rate administered by ICE Benchmark Administration Limited on the relevant date (in respect of USD loan).

On May 28, 2021, A-Living Smart City Services Co., Ltd. (“A-Living”), an indirectly non-wholly owned subsidiary of the Company, entered into a placing agreement with Citigroup Global Markets Limited (the “Placing Agent”) pursuant to which the Placing Agent has conditionally agreed, to procure on a fully underwritten basis, not less than six places to subscribe for an aggregate of 86,666,800 new H shares at HK\$37.60 per placing share, upon the terms and subject to the conditions set out in the placing agreement. Upon completion of the placing, the Company’s interest in A-Living would decrease from approximately 54.09% to approximately 50.79%, and A-Living will continue to be a subsidiary of the Company.

USE OF PROCEEDS

We intend to use the net proceeds from this offering, after deducting commissions and other expenses payable in connection with this offering, for the refinancing of certain existing medium to long term offshore indebtedness which will become due within one year.

Subject to compliance with applicable laws and regulations, we may adjust the foregoing plans in response to changing market conditions and circumstances and, thus, reallocate the use of the net proceeds.

CAPITALIZATION

The following table sets forth on an actual basis our capitalization and indebtedness as of December 31, 2020, and as adjusted to give effect to the gross proceeds from the issuance of the Original Notes and the New Notes, before deducting commissions and other estimated expenses payable in connection with this offering. Except as otherwise disclosed in this supplemental offering memorandum, there has been no material change in our capitalization since December 31, 2020.

	As of December 31, 2020			
	Actual		Adjusted	
	RMB	US\$ (unaudited) (in thousands)	RMB (unaudited)	US\$ (unaudited)
Cash and cash equivalents⁽¹⁾	<u>41,925,908</u>	<u>6,425,427</u>	<u>44,847,418</u>	<u>6,873,168</u>
Short-term borrowings⁽²⁾⁽³⁾				
Current portion of non-current borrowings .	30,313,830	4,645,798	30,313,830	4,645,798
Other borrowings				
— secured	3,129,000	479,540	3,129,000	479,540
— unsecured	2,285,924	350,333	2,285,924	350,333
Short-term bank borrowings				
— secured	591,905	90,713	591,905	90,713
— unsecured	<u>2,248,359</u>	<u>344,576</u>	<u>2,248,359</u>	<u>344,576</u>
Total short-term borrowings	<u>38,569,018</u>	<u>5,910,961</u>	<u>38,569,018</u>	<u>5,910,961</u>
Long-term borrowings⁽³⁾⁽⁴⁾⁽⁵⁾				
2017 Notes	1,296,740	198,734	1,296,740	198,734
2018 Notes	3,907,389	598,834	3,907,389	598,834
2019 Notes	3,249,826	498,058	3,249,826	498,058
2020 Notes	6,376,999	977,318	6,376,999	977,318
Original Notes ⁽⁷⁾	—	—	1,946,969	298,386
New Notes to be issued ⁽⁷⁾	—	—	974,541	149,355
PRC corporate bonds	7,593,944	1,163,823	7,593,944	1,163,823
Asset-backed securities	1,154,394	176,919	1,154,394	176,919
Commercial Mortgage backed Securities . .	4,094,763	627,550	4,094,763	627,550
Other borrowings				
— secured	8,153,706	1,249,610	8,153,706	1,249,610
— unsecured	1,720,885	263,737	1,720,885	263,737
Long-term syndicated loans				
— secured	14,882,424	2,280,831	14,882,424	2,280,831
— unsecured	1,155,245	177,049	1,155,245	177,049
Long-term bank borrowings				
— secured	27,043,308	4,144,568	27,043,308	4,144,568
— unsecured	8,927,955	1,368,269	8,927,955	1,368,269
Less: Current portion of non-current borrowings	<u>(30,313,830)</u>	<u>(4,645,798)</u>	<u>(30,313,830)</u>	<u>(4,645,798)</u>
Total long-term borrowings	<u>59,243,748</u>	<u>9,079,502</u>	<u>62,165,258</u>	<u>9,527,243</u>
Capital and reserves				
Total capital and reserve attributable to our shareholders	<u>50,815,628</u>	<u>7,787,836</u>	<u>50,815,628</u>	<u>7,787,836</u>
Perpetual capital securities	<u>13,637,493</u>	<u>2,090,037</u>	<u>13,637,493</u>	<u>2,090,037</u>
Total capitalization ⁽⁶⁾	<u>123,696,869</u>	<u>18,957,375</u>	<u>126,618,379</u>	<u>19,405,116</u>

Notes:

- (1) Cash and cash equivalents exclude restricted cash of RMB8,938.8 million (US\$1,369.9 million) as of December 31, 2020. Restricted cash consists principally of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.
- (2) Short-term borrowings include the current portion of long-term borrowings.
- (3) As of December 31, 2020, RMB53,253.9 million (US\$8,161.5 million) of our long-term and short-term borrowings had been incurred by our PRC subsidiaries.
- (4) As of December 31, 2020, our consolidated capital commitments were RMB32,387.3 million (US\$4,963.6 million) and our contingent liabilities amounted to approximately RMB59,274.9 million (US\$9,084.3 million). See “Management’s Discussion and Analysis of Financial Conditions and Results of operations—Liquidity and Capital Resources—Contractual Obligations” and “—Contingent Liabilities” in the Original Offering Memorandum.
- (5) Long-term borrowings exclude the current portion of long-term borrowings.
- (6) Total capitalization includes total long-term borrowings plus total capital and reserves attributable to our shareholders and perpetual capital securities.
- (7) In accordance with HKFRS, the Original Notes and the New Notes should be recorded at their fair value net of transaction costs incurred upon initial recognition, which may be substantially different from the amount of the Original Notes and the New Notes presented. For illustrative purposes only, the Original Notes and the New Notes have been recorded at their aggregate principal amount at the issue price, before deducting the commissions and other estimated expenses payable in connection with this offering, in the “Adjusted” column of the table above.
- (8) As of December 31, 2020, the Existing Notes (excluding the July 2020 Notes and the October 2020 Notes) and the unsecured borrowings were jointly guaranteed by certain of our subsidiaries.

We have, since December 31, 2020, in the ordinary course of business, entered into additional financial arrangements to finance our property development and for general corporate purposes, which are not reflected in the table above. We will continue to enter into short-term and long-term borrowings and other financing arrangements in the ordinary course of business, including construction and project loans and issuing debt securities and perpetual securities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings” and “Description of Other Material Indebtedness” in the Original Offering Memorandum.

DESCRIPTION OF THE NEW NOTES

The following provisions should be read in conjunction with the section entitled “Description of the Notes” of the Original Offering Memorandum.

The Company will issue the New Notes as additional notes under the Indenture.

The Company is issuing US\$150,000,000 aggregate principal amount of New Notes in this issuance. The New Notes constitute additional notes under the Indenture and are identical in all respects to the US\$300,000,000 5.5% Senior Notes due 2026 issued on May 17, 2021 (the “Original Notes”) except the issue date and issue price, and will be consolidated and form a single series with the Original Notes and vote together as one series on all matters with respect to the Notes. Upon the issue of the New Notes, the aggregate principal amount of outstanding New Notes and Original Notes will be US\$450,000,000. The Notes will bear interest from (and including) May 17, 2021 at the rate of 5.5% per annum, payable on May 17 and November 17 of each year, beginning November 17, 2021, and will mature on May 17, 2026. All references to the Notes in the Original Offering Memorandum include the New Notes and the Original Notes, except as otherwise stated.

The New Notes will be subject to restrictions on transfer as set forth in a legend appearing thereon as described in the section entitled “Transfer Restrictions”.

Unless otherwise defined in this supplemental offering memorandum, you can find the definitions of terms used in this section under “Description of the Notes — Definitions” of the Original Offering Memorandum.

PLAN OF DISTRIBUTION

SUMMARY OF THE PURCHASE AGREEMENT

Under the terms and subject to the conditions contained in a purchase agreement dated May 31, 2021 (the “Purchase Agreement”) BOCI Asia Limited, BOCOM International Securities Limited, China CITIC Bank International Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and The Bank of East Asia, Limited have agreed, severally but not jointly, to purchase from us, and we have agreed to sell to the Initial Purchasers, the following aggregate principal amount of the New Notes:

<u>Name</u>	<u>Principal Amount</u> (USD)
BOCI Asia Limited	20,000,000
BOCOM International Securities Limited.	50,000,000
China CITIC Bank International Limited	20,000,000
Guotai Junan Securities (Hong Kong) Limited	20,000,000
Haitong International Securities Company Limited	20,000,000
The Bank of East Asia, Limited	20,000,000
Total	<u>150,000,000</u>

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the New Notes is several and subject to the approval of certain legal matters by its counsel and certain other conditions. The Initial Purchasers are committed to take and pay for all of the New Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers.

In addition, the Company has agreed to pay through the Joint Lead Managers, a commission to certain private banks in connection with the distribution of the New Notes. This commission will be based on the principal amount of the New Notes subscribed for by certain private banks.

We and the Subsidiary Guarantors have agreed, jointly and severally, to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

The New Notes are new issues of securities with no established trading market. The Original Notes are listed on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing. Accordingly, we cannot assure you that a liquid trading market will develop for the New Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable. We have been advised by the Initial Purchasers that, in connection with the offering of the New Notes, the Initial Purchasers (other than China CITIC Bank International Limited) appointed and acting in its capacity as a stabilization manager, may, on behalf of the Initial Purchasers, engage in transactions that stabilize, maintain or otherwise affect the price of the New Notes. Specifically, the Initial Purchasers may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the New Notes in the open market to cover syndicate shorts or to stabilize the price of the New Notes. Any of these activities may stabilize or maintain the market price of the New Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the New Notes. These transactions may be effected in the over-the-counter market or otherwise.

We intend to use the net proceeds from this offering mainly for refinancing of certain existing medium to long term offshore indebtedness which will become due within one year. See “Use of Proceeds.”

The Initial Purchasers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity as 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 account 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 Company or its subsidiaries, jointly controlled entities or associated companies, including the New Notes, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes may be purchased by or be allocated to any Initial Purchasers or an affiliate for asset management and/or proprietary purposes but not with a view to 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. We may from time to time enter into hedging or other derivative transactions, including swap agreements, future or forward contracts, option agreements or other similar arrangements, as part of our risk management strategy with the Initial Purchasers or their affiliates, which may include transactions relating to our obligations under the New Notes all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral permitted under the Indenture.

The securities may be sold in any of the three ways (or in any combination): (1) to or through underwriters or dealers; (2) directly to one or more purchasers; or (3) through agents. The securities covered by this supplemental offering memorandum may be distributed from time to time in one or more transactions: (1) at a fixed price or prices, which may be changed from time to time; (2) at market prices prevailing at the time of sale; (3) at prices related to the prevailing market prices; or (4) at negotiated prices. Such prices may be different from the issue price of the New Notes.

If a jurisdiction requires that the offering of the New Notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, such offering shall be made by the Initial Purchasers or affiliate on behalf of the Company in such jurisdiction.

SELLING RESTRICTIONS

You should refer to the section entitled “Plan of Distribution — Selling Restrictions” in the Original Offering Memorandum. Such selling restrictions will apply to the New Notes.

In addition, under the selling restrictions for the United States of America, the following shall also apply to the New Notes:

The New Notes will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons until 40 days after the issue date of the Original Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of Additional Notes.

The Additional Notes are subject to restrictions on transfer as summarized below. By purchasing Additional Notes (including the Subsidiary Guarantees), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Additional Notes (including the Subsidiary Guarantees) have not been registered under the Securities Act or any other applicable securities laws;
 - the Additional Notes (including the Subsidiary Guarantees) are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Additional Notes (including the Subsidiary Guarantees) are being offered and sold only outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Additional Notes (including the Subsidiary Guarantees) may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Additional Notes (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Additional Notes (including the Subsidiary Guarantees), other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Additional Notes. You agree that you have had access to such financial and other information concerning us and the Additional Notes as you have deemed necessary in connection with your decision to purchase Additional Notes (including the Subsidiary Guarantees) including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing Additional Notes (including the Subsidiary Guarantees) for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Additional Notes (including the Subsidiary Guarantees) in violation of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Additional Notes, and each subsequent holder of the Additional Notes (including the Subsidiary Guarantees) by its acceptance of the Additional Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Additional Notes (including the Subsidiary Guarantees) may be offered, sold or otherwise transferred only:
 - (a) to us;
 - (b) under a registration statement that has been declared effective under the Securities Act;
 - (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or
 - (d) under any other available exemption from the registration requirements of the Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is 40 days after the later of May 17, 2021 and the last date that we or any of our affiliates was the owner of the Original Notes or any predecessor of the Original Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of Additional Notes under clause (d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and
- each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER MAY 17, 2021, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Additional Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Additional Notes (including the Subsidiary Guarantees) as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

GENERAL INFORMATION

CONSENTS

We have all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and offering of the New Notes and Subsidiary Guarantees. The entering into of the Indenture governing the Notes and the issue and offering of the Notes have been authorized by a resolution of our board of directors dated May 7, 2021. The entering into of the Indenture and the giving of the Subsidiary Guarantees have been authorized by resolutions of the board of directors of each Subsidiary Guarantor dated May 7, 2021.

LITIGATION

Save as disclosed in this supplemental offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the New Notes.

NO MATERIAL ADVERSE CHANGE

Except as may be otherwise disclosed in this supplemental offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2020 that is material in the context of the issue of the New Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at our office at 18/F, Three Pacific Place, 1 Queen's Road East, Hong Kong and at the specified offices of the paying agents.

For so long as any of the Notes are outstanding, copies of our consolidated audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at our office at 33rd Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong and at the specified offices of the paying agents.

CLEARING SYSTEM AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS 2343627712	234362771

Only Notes evidenced by a Global Certificate have been accepted for clearance through Euroclear and Clearstream.

LISTING OF THE NEW NOTES

The Original Notes are listed on the SGX-ST. Application will be made to the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a paying agent in Singapore where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

PRINCIPAL AND REGISTERED OFFICES OF THE COMPANY

Agile Group Holdings Limited
33rd Floor, Agile Center
26 Huaxia Road
Zhujiang New Town
Tianhe District, Guangzhou
Guangdong Province
PRC
Postal Code: 510623

Agile Group Holdings Limited
18/F, Three Pacific Place
1 Queen's Road East
Hong Kong

Agile Group Holdings Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

TRUSTEE

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

PRINCIPAL PAYING AND TRANSFER AGENT AND REGISTRAR AND COLLATERAL AGENT

The Hongkong and Shanghai Banking Corporation Limited
Level 24, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY

as to PRC law

*as to United States and
Hong Kong law*

*as to British Virgin
Islands Law*

as to Cayman Islands law

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People's Republic of
China

Sidley Austin
39th Floor
Two International Finance
Centre
8 Finance Street, Central
Hong Kong

Conyers Dill & Pearman
29th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

LEGAL ADVISERS TO THE INITIAL PURCHASERS

as to PRC law

as to United States law

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Jianguomenwai Avenue
Chaoyang District
Beijing 100022
People's Republic of China

Norton Rose Fulbright Hong Kong
38th Floor, Jardine House
One Connaught Place
Central
Hong Kong

LEGAL ADVISERS TO THE TRUSTEE

as to United States law

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875 Third Avenue
New York, NY 10022
United States

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES

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

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

THE FOLLOWING OFFERING MEMORANDUM 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 UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be non-U.S. persons (as defined under Regulation S under the Securities Act) outside the United States. By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are non-U.S. persons outside the United States and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such offering memorandum by electronic transmission.

The attached offering memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

Prohibition of sales to EEA retail investors — The securities described in the attached offering memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended (“MiFID II”); 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 as amended (the “PRIIPs Regulation”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The communication of the attached offering memorandum and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the securities described in the attached offering memorandum are only available to, and any investment or investment activity to which the attached offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached offering memorandum or any of its contents.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Initial Purchasers, or The Hongkong and Shanghai Banking Corporation Limited as trustee, principal paying agent, transfer agent, registrar and collateral agent, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request.

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



AGILE GROUP HOLDINGS LIMITED
(incorporated with limited liability under the laws of the Cayman Islands)

US\$300,000,000 5.5%
Senior Notes due 2026

Issue Price: 99.462%

We are offering 5.5% Senior Notes due 2026 in the aggregate principal amount of US\$300,000,000 (the “Notes”). The Notes will bear interest from May 17, 2021, at 5.5% per annum payable semi-annually in arrears on May 17 and November 17 of each year, beginning November 17, 2021, and will mature on May 17, 2026.

The Notes are senior obligations of Agile Group Holdings Limited (the “Company”) guaranteed (the “Subsidiary Guarantees”) by our existing subsidiaries (the “Subsidiary Guarantors”) other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “Description of the Notes.” In addition, the Notes shall be secured by certain collateral.

We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after May 17, 2024, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to May 17, 2024, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company at a redemption price of 105.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may redeem the Notes, in whole but not in part, at any time prior to May 17, 2024, at a price equal to 100% of the principal amount of the Notes plus the applicable premium as set forth in this offering memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control (as defined under the “Description of the Notes”), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The Notes will (1) rank at least pari passu in right of payment against the Company with respect to the Existing Pari Passu Secured Indebtedness (as defined under the “Description of the Notes”) and all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law), (2) rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) be effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and (4) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, which will not provide guarantee for the Notes. However, applicable law may limit the enforceability of the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

For a more detailed description of the Notes, see “Description of the Notes”.

Investing in the Notes involves risks. See “Risk Factors” before investing in the Notes.

Application will be made to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. Under the rules of the SGX-ST, the Notes, if traded on the SGX-ST, are required to be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000. This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Please see the selling restrictions set out under the section “Selling Restrictions”.

The Notes are expected to be rated BB– by Standard & Poor’s Ratings Services. The credit rating accorded to the Notes is not a recommendation to purchase, hold or sell the Notes in as much as such rating does not comment as to market price or suitability for a particular investor.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered, sold or delivered within the United States or to or for the benefit of U.S. persons except pursuant to exemptions from, or on a transaction not subject to, the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States to non-U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions in compliance with Regulation S under the Securities Act (“Regulation S”) and in accordance with any other applicable laws. For a description of certain restrictions on resale or transfer, see “Transfer Restrictions”.

It is expected that delivery of the Notes will be made on or about May 17, 2021 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Barclays

Credit Suisse

Standard Chartered Bank

Joint Bookrunners and Joint Lead Managers

BOCOM International

CMBC Capital

HeungKong Financial

**The Bank of East Asia,
Limited**

The date of this offering memorandum is May 10, 2021

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This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes. We as well as Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, Standard Chartered Bank, BOCOM International Securities Limited, CMBC Securities Company Limited, HeungKong Securities Limited and The Bank of East Asia, Limited (the “Managers” or the “Initial Purchasers”), reserve the right to withdraw the offering of the Notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby.

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

Notice to Prospective Investors in the European Economic Area

This offering memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

PRIIPs Regulations/Prohibition of sales to EEA retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended “MiFID II”); 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 as amended (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

The communication of this offering memorandum and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in

Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the securities described in this offering memorandum are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILIZATION MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME.

This offering memorandum is personal to the prospective investor to whom it has been delivered by the Manager and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. The prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this offering memorandum.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the Notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Indenture governing the Notes and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. Notwithstanding any investigation that the Manager may have conducted with respect to the information contained herein, the Manager not accept any liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by or on our behalf.

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with information that is different. This offering memorandum may only be used where it is legal to sell the Notes. The information in this document may only be accurate at the date of this offering memorandum. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

We confirm that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to us and the Notes which is material to the offering and sale of the Notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading in any material respect. We accept responsibility accordingly.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Manager or any person affiliated with the Manager in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes (other than as contained herein and information given by our duly authorized

officers and employees in connection with investors' examination of our company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Manager.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold or delivered within the United States or to or for the benefit of U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to exemptions from, or on a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act ("Regulation S") and in accordance with any other applicable laws.

We are not, and the Manager is not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the Securities Act and applicable state securities laws. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

None of us, the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent, or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. None of the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent or any of their respective affiliates, directors or advisers has independently verified the information contained in this offering memorandum or makes any representation, warranty or undertaking, express or implied, to review the financial conditions or affairs of the Company or the Group (as defined herein) during the life of the arrangements contemplated by this offering memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering memorandum. To the fullest extent permitted by law, none of the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent accepts any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the Manager or on its behalf in connection with us or the issue and offering of the Notes. Each of the Manager, the Trustee, Principal Paying and Transfer Agent and Registrar, the Collateral Agent and the Sub-Collateral Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," the "Group" and words of similar import, we are referring to Agile Group Holdings Limited itself, or to Agile Group Holdings Limited and its consolidated subsidiaries, as the context requires.

Market data and certain industry forecast and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Manager or its respective directors and advisors, and neither us, the Manager nor our or its respective directors and advisors make any representation as to the accuracy or completeness

of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

The statistics set forth in this offering memorandum relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. The Manager does not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

In this offering memorandum, all references to “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”); all references to “HK\$” and “H.K. dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); and all references to “CNY”, “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China, or the PRC.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5250 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7534 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

References to “PRC” and “China,” for the purposes of this offering memorandum only, except where the context requires, do not include Hong Kong, Macau Special Administrative Region of the PRC (“Macau”), or Taiwan. “PRC government” or “State” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

References to the “Chen family” in this offering memorandum are to Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei, Chan Cheuk Nam, Lu Liqing, Lu Yanping, Chan Siu Na and Zheng Huiqiong.

References to “2010 Notes” are to our US\$650 million aggregate principal amount of 8.875% Senior Notes due by 2017. We redeemed all outstanding amount of the 2010 Notes on June 27, 2016.

References to the “Chen family” in this offering memorandum are to Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei, Chan Cheuk Nam, Lu Liqing, Lu Yanping, Chan Siu Na and Zheng Huiqiong.

References to “2012 Notes” are to our US\$700 million aggregate principal amount of 9.875% Senior Notes due 2017. We redeemed all outstanding amount of the 2012 Notes on March 20, 2017.

References to “2013 Perpetual Securities” are to our US\$700 million aggregate principal amount of subordinated perpetual capital securities. We redeemed all outstanding amount of the 2013 Perpetual Securities on July 18, 2019.

References to “Property Management Asset-backed Securities” are to our asset-backed securities in the principal amount of RMB1,100,000,000 established on February 26, 2016. We redeemed all outstanding asset-backed securities on September 26, 2017.

References to “2014 USD Notes” are to our US\$500 million aggregate principal amount of 8.375% Senior Notes due 2019. We redeemed all outstanding amount of the 2014 USD Notes on September 14, 2017.

References to “2014 RMB Notes” are to our RMB2,000 million aggregate principal amount of 6.50% Senior Notes due 2017. We redeemed all outstanding amount of the 2014 RMB Notes on February 28, 2017.

References to “Panyu Asset-backed Securities” are to our asset-backed securities in the principal amount of RMB1,111.5 million established on September 1, 2017.

References to “2015 Notes” are to our US\$500 million aggregate principal amount of 9.0% Senior Notes due 2020. We redeemed all outstanding amount of the 2015 Notes on May 21, 2020.

References to “2017 Notes” are to our US\$200 million aggregate principal amount of 5.125% Senior Notes due 2022.

References to “2017 HSBC Loan” are to our HK\$1,170 million term loan facility with The Hongkong and Shanghai Banking Corporation Limited as facility agent and as security agent which we entered into on November 14, 2017.

References to “2017 ICBC Loan” are to our HK\$300 million term loan facility with Industrial and Commercial Bank of China (Asia) Limited as lender which we entered into on November 24, 2017.

References to “2017 CCB Loan” are to our HK\$400 million term loan facility with China Construction Bank Corporation, Hong Kong Branch as facility agent and as security agent which we entered into on December 19, 2017.

References to “2018 Perpetual Securities” are to our US\$500 million aggregate principal amount of senior perpetual capital securities.

References to “2018 Syndicated Loan” are to our HK\$8,834 million (with a greenshoe option of HK\$2,500 million) and US\$200 million term loan facility which we entered into on May 21, 2018.

References to “2018 HSBC Loan” are to our HK\$770 million term loan facility with The Hongkong and Shanghai Banking Corporation Limited as facility agent and security agent which we entered into on December 12, 2018.

References to “June 2018 Perpetual Securities” are to our US\$100 million aggregate principal amount of senior perpetual capital securities.

References to “July 2018 Notes” are to our US\$600 million aggregate principal amount of 8.5% Senior Notes due 2021.

Reference to “November 2018 Notes” are to our US\$400 million aggregate principal amount of 9.5% Senior Notes due 2020. We redeemed all outstanding amount of the November 2018 Notes on November 23, 2020.

Reference to “March 2019 Notes” are to our US\$500 million aggregate principal amount of 6.7% Senior Notes due 2022.

Reference to “June 2019 Perpetual Securities” are to our US\$700 million aggregate principal amount of senior perpetual capital securities.

Reference to “July 2020 Notes” are to our US\$500 million aggregate principal amount of 5.75% Senior Notes due 2025.

References to “2019 Syndicated Loan” are to our HK\$1,170 million and US\$100 million (with a greenshoe option of US\$500 million) term loan facility which we entered into on August 28, 2019.

Reference to “October 2019 Perpetual Securities” are to our US\$500 million aggregate principal amount of senior perpetual capital securities.

Reference to “November 2019 Perpetual Securities” are to our US\$200 million aggregate principal amount of senior perpetual capital securities.

References to “2020 Syndicated Loan” are to our HK\$3,242 million and US\$0 million (with a greenshoe option of US\$600 million) term loan facility which we entered into on June 24, 2020.

Reference to “October 2020 Notes” are to our US\$483 million aggregate principal amount of 6.05% Senior Notes due 2025.

References to “Existing Notes” are to the 2017 Notes, the July 2018 Notes, the November 2018 Notes, the March 2019 Notes, the July 2020 Notes and the October 2020 Notes.

References to “Perpetual Securities” are to the 2018 Perpetual Securities, the June 2018 Perpetual Securities, the June 2019 Perpetual Securities, the October 2019 Perpetual Securities and the November 2019 Perpetual Securities.

References to the “Guangzhou Asian Games City Project” are to the development of certain parcels of land located in the Panyu District of Guangzhou City that we, together with certain other property developers in the PRC, acquired pursuant to a land grant contract with the PRC government dated December 22, 2009, as amended and supplemented. The development of this project is implemented through a project company (the “Asian Games JV”), in which we hold a minority equity interest. Although we hold only a minority equity interest in the Asian Games JV, we have included this project in the total number of our property projects as of December 31, 2020, and also have taken into account this project when calculating the site area or GFA data included in this offering memorandum, unless otherwise specified.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and GFA information presented in this offering memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

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

Totals presented in this offering memorandum may not equal the apparent total of individual items because of rounding of numbers.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes “**forward-looking statements.**” All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “**believe,**” “**expect,**” “**aim,**” “**intend,**” “**will,**” “**may,**” “**anticipate,**” “**seek,**” “**should,**” “**estimate**” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure plans;
- various business opportunities that we may pursue;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;

- the industry outlook generally;
- future developments in and the performance of the property market in Guangdong Province and other areas of the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government's, particularly the Guangdong provincial government's, specific policies which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property developments;
- the timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*” and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this offering memorandum. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability and each Subsidiary Guarantor and JV Subsidiary Guarantor (if any) is also incorporated or may be incorporated, as the case may be, in a jurisdiction outside the United States, such as the British Virgin Islands or Hong Kong. The Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions have a different body of securities laws from the United States and protections for investors may differ.

Most of our assets and all of the assets of the Subsidiary Guarantors are, and all or some of the assets of the JV Subsidiary Guarantors (if any) may be, are located outside the United States. In addition, all of our directors and officers are nationals or residents of countries other than the United States (principally the PRC), and all or a substantial portion of such persons' assets are located or may be located, as the case may be, outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such persons or to enforce against us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We, each of the Subsidiary Guarantors and each of the JV Subsidiary Guarantors (if any) expect to appoint Cogency Global Inc. as our agent to receive service of process with respect to any action brought against us, any Subsidiary Guarantor or any JV Subsidiary Guarantor in the United States federal courts located in the Borough of Manhattan, the City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the Subsidiary Guarantors in the courts of the State of New York in the Borough of Manhattan, the City of New York under the securities laws of the State of New York.

Conyers Dill & Pearman, our counsel as to Cayman Islands laws, has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or

in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Conyers Dill & Pearman, our counsel as to British Virgin Islands laws, has advised us that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands; and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court and seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for debt or a definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

Further, we have been advised by our PRC legal counsel, Jingtian & Gongcheng Attorney at Law (“Jingtian”), and our Cayman Islands legal counsel, Conyers Dill & Pearman, that there is uncertainty as to whether the courts of the PRC and the Cayman Islands, respectively, would (i) enforce judgments of the U.S. courts obtained against us, our directors and officers, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC and the Cayman Islands, respectively, against us, our directors and officers, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which differ in certain respects from generally accepted accounting principles (“GAAP”) in certain other countries.

We use EBITDA to provide additional information about our operating performance. EBITDA is not a standard measure under either U.S. GAAP or HKFRS. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a

significant impact on the profit for the year/period of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

We operate in a capital intensive industry. We use EBITDA in addition to profit for the year/period because profit for the year/period includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

Our definition of EBITDA should not be considered in isolation or construed as an alternative to profit for the year/period or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for more information. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

GLOSSARY OF TECHNICAL TERMS

"certificate of completion"	a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities, or an equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection.
"commodity properties"	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion.
"construction land planning permit"	a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China.
"construction permit"	a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China.
"construction works planning permit"	a construction works planning permit (建築工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China.
"GFA"	gross floor area.
"Hong Kong Stock Exchange" . . .	the Stock Exchange of Hong Kong Limited.
"land grant confirmation agreement"	(國有土地使用權成交確認書) a confirmation given by a PRC land authority that a property developer has won the bid for the land use rights of a parcel of land in the government-organized land bidding, auction or listing-for-sale process.

“land grant contract”	(國有土地使用權出讓合同) an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer.
“land grant or transfer document”	a land grant contract, land grant confirmation agreement or land use rights transfer agreement.
“land use rights certificate”	a state-owned land use rights certificate (國有土地使用證) or real property ownership certificate (不動產權證) issued by a local real estate and land resources bureau with respect to the land use rights.
“land use rights transfer agreement”	(國有土地使用權轉讓合同) an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
“LAT”	land appreciation tax (土地增值稅).
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
“low-density units”	the low-density units that we develop include stand-alone houses, semi-detached houses and townhouses.
“pre-sale”	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.
“pre-sale permit”	a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties.
“property ownership certificate” .	a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.
“sq.ft.”	square feet.
“sq.m.”	square meter.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire offering memorandum, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

We are a leading property developer in China. We focus primarily on the development of large-scale mixed-use property projects, with extensive presence in the businesses of property management, environmental protection, construction, real estate construction management and commercial properties. We believe our brand is well-recognized. We have received numerous awards and recognition, including most recently, “Outstanding China Real Estate Enterprise 2019” by Quamnet, “China Property Award of Supreme Excellence 2020” by Organising Committee of China Property Award of Supreme Excellence, “Headline NO. 1 Award 2020 — No. 1 China’s Property Developer in Greater Bay Area” by Headline Daily, and “Hong Kong Outstanding Enterprises 2020 — Main Board Category Extraordinary Enterprises Awards 2020” by Economic Digest magazine.

We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management and hotel operation services.

Our management team includes members with over 28 years of experience in the PRC real estate industry and has contributed to the growth of our business substantially since we first commenced property development activities in Guangdong Province in 1992. As of December 31, 2020, we had 205 projects within our land bank, 67 of which were located in Southern China region with a total planned GFA of approximately 17.0 million sq.m.; 62 in Eastern China region with a total planned GFA of approximately 11.4 million sq.m.; 21 in Western China region with a total planned GFA of approximately 4.3 million sq.m.; 21 in Central China region with a total planned GFA of approximately 5.3 million sq.m.; seven in Hainan Province with a total planned GFA of approximately 4.3 million sq.m.; seven in Yunnan Province with a total planned GFA of approximately 5.1 million sq.m.; two in Northeast China region with a total planned GFA of approximately 0.2 million sq.m.; 12 in Northern China region with a total planned GFA of approximately 5.0 million sq.m.; two in Hong Kong with a total planned GFA of approximately 20,199 sq.m.; two in Kuala Lumpur of Malaysia with a total planned GFA of approximately 303,134 sq.m.; one in Phnom Penh of Cambodia with a total GFA of approximately 50,640 sq.m. and one in San Francisco of the United States with a total planned GFA of approximately 10,674 sq.m. These 205 projects have an aggregate site area of approximately 56.1 million sq.m. and an aggregate planned GFA of approximately 53.0 million sq.m., which includes an aggregate GFA of approximately 2.7 million sq.m. of completed properties, an aggregate GFA of approximately 25.2 million sq.m. of properties under development and an aggregate GFA of approximately 25.2 million sq.m. of properties held for future development. Among the 205 projects, as of December 31, 2020, our project companies signed land grant or transfer documents or held other forms of interest with respect to 14 projects with an aggregate site area of approximately 1.8 million sq.m. and an aggregate GFA of 3.8 million sq.m. We were in the process of applying for the land use rights certificates or the land titles with respect to such land.

For 2018, 2019 and 2020, the total GFA sold was approximately 4.7 million sq.m., 4.5 million sq.m. and 4.9 million sq.m., respectively. For 2018, 2019 and 2020, we recorded sales revenue from property development of RMB52,487.7 million, RMB54,177.2 million and RMB69,547.4 million (US\$10,658.6 million), respectively, and the net profit attributable to our equity holders was approximately RMB7,125.0 million, RMB7,511.8 million and RMB9,474.6 million (US\$1,452.0 million), respectively.

Since 2006, we have begun to expand our property development business to strategically selected cities outside the Southern China Region to other parts of China and overseas. We intend to continue the expansion of our presence in markets outside the Southern China region while maintaining our core focus in Southern China. We initiated our tourism property business in the Hainan and Yunnan regions in 2007 and 2012, respectively, in order to leverage the thriving tourism industry in these provinces to attract purchasers of vacation homes. In 2014, we further expanded our business outside of China with our first overseas project in Malaysia. In 2017, we acquired a project in Hong Kong. In 2019, we

acquired a project in Phnom Penh of Cambodia. In 2020, we acquired a project in San Francisco of the United States. On a selective basis, we also engage in other complementary businesses, such as property management, the development and management of hotels, investment properties, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property projects. On February 9, 2018, A-Living Services Co., Ltd. (“A-Living”), which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company, which we believe allows us to capitalize on our brand and further diversify the platforms through which we offer value-added services. As of December 31, 2020, the total GFA (except the GFA of associates and consultant projects) under management was 374.8 million sq.m. As of December 31, 2020, we have six hotels, three major shopping malls and two office buildings in operation. For 2020, revenue from our commercial management was RMB556.0 million (US\$85.2 million).

In recent years, we have entered into the environmental protection business to further diversify our sources of income and organically add value to our property development and management projects. Our environmental protection business primarily involves hazardous waste treatment, water treatment and common solid waste treatment. See “Business—Environmental Protection.” We also launched our real estate construction management business and completed the integration and restructuring of the construction business in 2018. See “Business—Construction” and “Business—Real Estate Construction Management.”

We are a constituent stock of the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Stock Connect Hong Kong Index Series, the Hang Seng High Dividend Yield Index, the Hang Seng Mainland China Companies High Dividend Yield Index, the Hang Seng Mainland Properties Index, the Hang Seng High Beta Index, the Hang Seng China (Hong Kong-listed) 100 Index, the MSCI China Index and the Lippo Select HK & Mainland Property Index.

The following table sets forth the geographical distribution of our 205 projects in terms of GFA completed, GFA under development and GFA held for future development within the land bank as of December 31, 2020.

	GFA Completed	%	GFA Under Development	%	GFA Held for Future Development	%
Southern China Region	910,618	34.3	7,404,766	29.4	8,636,757	34.3
Eastern China Region	489,038	18.4	5,062,027	20.1	5,815,673	23.1
Western China Region	135,065	5.1	2,526,969	10.0	1,655,949	6.6
Central China Region	56,425	2.1	3,009,590	12.0	2,271,917	9.0
Hainan Region	645,069	24.3	2,621,684	10.4	988,258	3.9
Yunnan Region	222,799	8.4	981,406	3.9	3,918,751	15.6
Northeast China Region	22,103	0.8	230,485	0.9	—	—
Northern China Region	177,275	6.6	2,983,057	11.8	1,860,177	7.4
Hong Kong	—	—	—	—	20,199	0.1
Overseas	—	—	364,448	1.5	—	—
Total.	<u>2,658,392</u>	<u>100.0</u>	<u>25,184,432</u>	<u>100.0</u>	<u>25,167,681</u>	<u>100.0</u>

Recent Developments

COVID-19 Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See “Risk Factors—The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.”

Entering into Further Cooperative Instruments

In December 2020, certain of our subsidiaries (the “Agile Subsidiaries”), the relevant investors (the “Investors”) and the relevant project companies (the “Project Companies”) pursuant to which the relevant Agile Subsidiaries and the relevant investors shall jointly invest in the relevant project lands in accordance with the terms of the relevant cooperative instruments. Pursuant to the cooperative instruments, the relevant Investors have agreed to pay a total of RMB7,050,760,340.15 to the relevant Agile Subsidiaries as earnest monies for their respective acquisition of equity interest and/or loans. On February 11, 2021, the relevant Agile Subsidiaries, the relevant Investors and the relevant Project Companies have entered into the further cooperative instruments in respect of the relevant cooperative instruments, pursuant to which the total commitment by the Investors in respect of the Project Companies amounted to RMB6,072,071,764.5.

Entering into a Supplemental Agreement

On February 22, 2021, Tianjin Yachao Enterprise Management Consulting Co., Ltd. (the “Purchaser”), an indirect wholly-owned subsidiary of our Company, entered into a second supplemental agreement with vendor to adjust the remaining balance of the variable consideration in the amount of RMB240,975,000. Pursuant to the supplemental agreement, the Purchaser shall only be obliged to pay the remaining balance of the variable consideration in the amount of RMB99,892,200.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

- market leadership with a well-established track record;
- diversified, sizeable and low-cost land bank;
- strong brand name recognition and a wide spectrum of high-quality products;
- stable income from other segments;
- extensive experience in large-scale multi-phase developments; and
- strong corporate governance and experienced management.

BUSINESS STRATEGIES

We plan to further diversify our “1+N” business model, which is to strengthen our position in the property development business and accelerate the development of other businesses. We also aim to improve our execution, operational efficiency and overall management quality. We intend to achieve our overall business objectives by pursuing the following strategies:

- optimize land bank with an active but prudent land acquisition strategy;
- enhance overall management to maximize profits;
- further expand A-Living with diversified value-added services;
- increase our competitive edge in other businesses, including, A-Living, environmental protection, construction, real estate construction management and commercial; and
- strengthen our brand recognition nationwide and overseas.

GENERAL INFORMATION

The Company is incorporated in the Cayman Islands on July 14, 2005 as an exempted company with limited liability, with registered number 151949. Its principal place of office in the PRC is at 33rd Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC, Postal Code: 510623. Our principal place of business in Hong Kong is at 18/F., Three Pacific Place, 1 Queen’s Road East, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering memorandum. For a detailed description of the Notes, see the section entitled “Description of the Notes.” The terms and conditions of the Notes prevail to the extent of any inconsistency with the summary set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer	Agile Group Holdings Limited (the “Company”).
Notes Offered	US\$300,000,000 5.5% Senior Notes due 2026 (the “Notes”).
Offering Price	99.462% of the principal amount of the Notes.
Maturity Date	May 17, 2026
Interest and Interest Payment Dates	The Notes bear interest at a rate of 5.5% per annum payable semi-annually in arrears on May 17 and November 17 of each year, commencing November 17, 2021.
Ranking of the Notes	<p>The Notes are:</p> <ul style="list-style-type: none"> • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least <i>pari passu</i> in right of payment against the Company with respect to the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantor (if any) on a senior basis, subject to the limitations described under the caption “Description of the Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;” • effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, which will not provide a Guarantee for the Notes.

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations described under “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement with the holders of the Existing Pari Passu Secured Indebtedness (except to the extent of any costs and expenses incurred by the Sub-Collateral Agent in connection with the collection or distribution of the proceeds of the Collateral) and any other creditors with respect to future Permitted Pari Passu Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

**Subsidiary Guarantees and JV
Subsidiary Guarantees**

Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The initial Subsidiary Guarantors are listed under “Description of the Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries, Listed Subsidiaries and members of the Crown Golden Group) to guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, *provided that*, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 30% of the Total Assets of the Company.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See “Description of the Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees—Release of the Subsidiary Guarantees and JV Subsidiary Guarantees.” In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may (i) release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, (ii) discharge the pledge of the Capital Stock granted by such Subsidiary Guarantor, and (iii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such Subsidiary Guarantor, *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the Subsidiary Guarantors whose Subsidiary Guarantees were released) do not account for more than 30% of the Total Assets of the Company. For purposes of the calculations in this paragraph and the foregoing paragraph, the Consolidated Assets of the Crown Golden Group will be excluded.

**Ranking of Subsidiary
Guarantees**

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with the guarantees provided for the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

See “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

JV Subsidiary Guarantees

A JV Subsidiary Guarantee is required to be delivered by a Subsidiary Guarantor if the Company wishes to release such Subsidiary Guarantor from its Subsidiary Guarantee following a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor. If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company may also deliver a JV Subsidiary Guarantee instead of a Subsidiary Guarantee on substantially similar conditions for certain Restricted Subsidiaries that are established after the Original Issue Date. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Security

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of each initial Subsidiary Guarantor held directly by the Company or the Subsidiary Guarantor Pledgors (the “Collateral”) (subject to Permitted Liens and *pari passu* sharing described below) in order to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The Collateral securing the Notes and the Subsidiary Guarantees may be released, reduced or diluted under certain other circumstances, subject to the terms of the Indenture, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. In addition, the Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement by the holders of the Notes and the holders of other Permitted *Pari Passu* Secured Indebtedness, including the holders of the Existing *Pari Passu* Secured Indebtedness. See “Description of the Notes — Security.”

Intercreditor Agreement	(i) The Company, (ii) the Subsidiary Guarantor Pledgors, (iii) the Collateral Agent and (iv) the trustees and agents on behalf of holders of the Existing Pari Passu Secured Indebtedness, have entered into and are currently parties to an intercreditor agreement, to which the Sub-Collateral Agent and the Trustee will accede. On the original issue date, (i) the Company, (ii) the Subsidiary Guarantor Pledgors, (iii) the trustee and (iv) the Sub-Collateral Agent shall enter into a sub-collateral agent appointment agreement. The combined effect of the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement is that, the parties to both agreements will agree to (1) share the Collateral on an equal and ratable basis, the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced. See “Description of the Notes—Security—Intercreditor Agreement.”
Use of Proceeds	See “Use of Proceeds.”
Optional Redemption	<p>At any time and from time to time on or after May 17, 2024, the Company may at its option redeem the Notes, in whole or in part, at the redemption price as set forth in “Description of the Notes — Optional Redemption” plus accrued and unpaid interest, if any, to (but not including) the redemption date.</p> <p>At any time prior to May 17, 2024, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.</p> <p>At any time and from time to time prior to May 17, 2024, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.</p> <p>See “Description of the Notes—Optional Redemption.”</p>
Repurchase of Notes Upon a Change of Control	Upon the occurrence of a Change of Control, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See “Description of the Notes—Repurchase of Notes Upon a Change of Control.”
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obliged to pay Additional Amounts as a result of certain changes in specified tax laws. See “Description of the Notes—Redemption for Taxation Reasons.”

Covenants	<p>The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. <p>These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants."</p>
Transfer Restrictions	<p>The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."</p>
Form, Denomination and Registration	<p>The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.</p>
Book-Entry Only	<p>The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form."</p>
Delivery of the Notes	<p>The Company expects to make delivery of the Notes, against payment in same-day funds, on or about May 17, 2021, which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5". You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."</p>
Trustee	<p>The Hongkong and Shanghai Banking Corporation Limited</p>
Principal Paying and Transfer Agent and Registrar	<p>The Hongkong and Shanghai Banking Corporation Limited</p>
Collateral Agent	<p>The Hongkong and Shanghai Banking Corporation Limited</p>

Sub-Collateral Agent	The Hongkong and Shanghai Banking Corporation Limited	
Listings	Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.	
Rating	We expect the Notes to be rated BB– by Standard and Poor’s Rating Services. We cannot assure investors that this rating will not be adversely revised or withdrawn either before or after delivery of the Notes.	
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors.”	
ISIN	<u>ISIN</u>	<u>Common Code</u>
	XS 2343627712	234362771

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary financial data as of and for each of the fiscal years ended December 31, 2018, 2019 and 2020 (except for EBITDA data and amounts presented in U.S. dollars), are derived from our audited consolidated financial statements as of and for the years ended and as of December 31, 2019 and 2020. The summary financial data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the audited consolidated financial statements, and the notes to those statements and information included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

With effect from January 1, 2018, we adopted HKFRS 9 and HKFRS 15 under which we are required to reclassify and adjust certain of our financial line items in our financial statements. Please refer to Note 2.2 of our audited consolidated financial statements as of and for the year ended December 31, 2018 for a discussion on the effects of the adoption of HKFRS 9 and HKFRS 15.

With effect from January 1, 2019, we adopted HKFRS 16 under which we are required to adjust certain amounts recognized in our financial statements. Please refer to Note 2.2 of our audited consolidated financial statements for the year ended December 31, 2019 for a discussion on the effects of the adoption of HKFRS 16. We adopted HKFRS 16 from January 1, 2019, without requiring any restatement of the corresponding figures of the prior period before January 1, 2019 as permitted under the specific transitional provisions in the standard. Our audited consolidated financial statements as of and for the years ended December 31, 2018 may not be directly comparable against our audited consolidated financial statements on or after January 1, 2019, including our audited consolidated financial statements for each of the year ended December 31, 2019 and 2020. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2019 against our consolidated financial figures prior to January 1, 2019 and when evaluating our financial position and results of operations.

SUMMARY CONSOLIDATED INCOME STATEMENT INFORMATION

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$ (unaudited)
	(in thousands, except percentages)			
Revenue	56,144,926	60,239,097	80,245,252	12,298,123
Cost of sales	(31,471,009)	(41,881,111)	(56,142,868)	(8,604,271)
Gross profit	24,673,917	18,357,986	24,102,384	3,693,852
Selling and marketing costs	(2,318,044)	(2,026,178)	(2,384,710)	(365,473)
Administrative expenses	(2,909,554)	(3,998,883)	(5,234,723)	(802,256)
Net impairment losses on financial and contract assets	(97,250)	(149,574)	(566,679)	(86,847)
Other gains, net	1,986,253	4,802,164	3,740,426	573,245
Other income	1,040,034	1,282,537	1,669,854	255,916
Other expenses	(257,002)	(228,300)	(400,044)	(61,309)
Operating profit	22,118,354	18,039,752	20,926,508	3,207,128
Finance costs, net	(2,744,353)	(2,529,824)	(1,040,210)	(159,419)
Share of post-tax profits of investments accounted for using the equity method	27,098	1,086,246	1,585,630	243,008
Profit before income tax	19,401,099	16,596,174	21,471,928	3,290,717
Income tax expenses	(11,043,282)	(7,362,928)	(9,223,051)	(1,413,494)
Profit for the year/period	<u>8,357,817</u>	<u>9,233,246</u>	<u>12,248,877</u>	<u>1,877,223</u>
Profit attributable to:				
Shareholders of the Company	7,125,007	7,511,794	9,474,597	1,452,046
Holders of perpetual capital securities	676,906	850,225	1,083,780	166,097
Non-controlling interests	555,904	871,227	1,690,500	259,080
	<u>8,357,817</u>	<u>9,233,246</u>	<u>12,248,877</u>	<u>1,877,223</u>
Dividends	<u>1,658,443</u>	<u>3,772,477</u>	<u>3,132,664</u>	<u>480,102</u>
OTHER FINANCIAL DATA				
EBITDA ⁽¹⁾	23,035,519	22,438,005	27,114,612	4,155,496
EBITDA Margin ⁽²⁾	41.0%	37.2%	33.8%	33.8%

Notes:

- (1) The calculation of earnings before interest, taxation, depreciation and amortization (EBITDA) excluded fair value gains on investment properties. EBITDA is not a standard measure under HKFRS. 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 our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses. In evaluating EBITDA, we believe 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. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our 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 our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year/period under HKFRS to our definition of EBITDA.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

SUMMARY CONSOLIDATED BALANCE SHEET INFORMATION

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands, except percentages)			
				(unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	8,753,527	11,701,956	12,080,847	1,851,471
Prepayments for acquisition of land use rights	2,039,236	—	34,285	5,254
Properties under development	16,936,396	31,742,993	30,973,623	4,746,915
Intangible assets	258,990	1,578,192	3,576,350	548,100
Investment properties	8,804,220	8,495,950	10,849,449	1,662,751
Goodwill	1,841,613	3,897,055	4,264,614	653,581
Investments accounted for using the equity method	10,088,353	14,711,189	18,179,155	2,786,077
Trade and other receivables.	12,510,503	5,182,026	7,508,793	1,150,773
Right of use assets.	—	3,077,209	3,376,304	517,441
Financial assets at fair value through other comprehensive income.	—	262,036	510,639	78,259
Deferred income tax assets	1,433,982	1,350,770	1,392,281	213,376
Prepayments for acquisition of equity interests	870,856	468,000	523,321	80,202
	<u>63,537,676</u>	<u>82,467,376</u>	<u>93,269,661</u>	<u>14,294,201</u>
Current assets				
Properties under development	73,584,977	79,622,115	82,148,512	12,589,810
Completed properties held for sale	8,446,700	13,447,730	19,092,671	2,926,080
Inventories	46,467	343,029	248,325	38,057
Prepayments for acquisition of land use rights	5,187,072	10,669,360	8,311,775	1,273,835
Trade and other receivables.	27,735,425	35,360,168	50,021,335	7,666,105
Prepaid income taxes	3,165,117	6,077,471	5,355,663	820,791
Financial assets at fair value through profit and loss	3,232,031	1,008,031	1,247,819	191,237
Restricted cash	9,285,376	9,003,578	8,938,792	1,369,930
Assets held for sale	—	302,108	—	—
Cash and cash equivalents	35,776,231	33,551,303	41,925,908	6,425,427
Contract assets	448,715	1,379,556	3,204,597	491,126
	<u>166,908,111</u>	<u>190,764,449</u>	<u>220,495,397</u>	<u>33,792,398</u>
Total assets	<u>230,445,787</u>	<u>273,231,825</u>	<u>313,765,058</u>	<u>48,086,599</u>
EQUITY				
Capital and reserves attributable to the shareholders of the Company				
Share capital and premium	3,421,883	3,421,883	3,421,883	524,427
Shares held for Share Award Scheme	(156,588)	(156,588)	(156,588)	(23,998)
Other reserves	2,604,982	2,931,267	3,416,513	523,604
Retained earnings.	35,368,931	38,277,061	44,133,820	6,763,804
	<u>41,239,208</u>	<u>44,473,623</u>	<u>50,815,628</u>	<u>7,787,836</u>
Perpetual capital securities	<u>8,334,875</u>	<u>13,566,867</u>	<u>13,637,493</u>	<u>2,090,037</u>
Non-controlling interests.	<u>5,406,850</u>	<u>7,295,986</u>	<u>12,516,601</u>	<u>1,918,253</u>
Total equity.	<u>54,980,933</u>	<u>65,336,476</u>	<u>76,969,722</u>	<u>11,796,126</u>
LIABILITIES				
Non-current liabilities				
Borrowings.	53,196,485	54,372,620	59,243,748	9,079,502
Trade and other payables	—	2,201,976	4,284,452	656,621
Deferred income tax liabilities.	1,884,085	3,179,780	4,087,131	626,380
Financial liabilities at fair value through profit or loss	6,144	83,092	101,235	15,515
Lease liabilities	—	390,326	392,927	60,219
	<u>55,086,714</u>	<u>60,227,794</u>	<u>68,184,764</u>	<u>10,449,772</u>
Current liabilities				
Borrowings.	35,332,872	42,297,082	38,569,018	5,910,961
Trade and other payables	42,533,971	53,917,720	75,229,690	11,529,454
Current income tax liabilities.	17,014,547	17,562,708	17,257,347	2,644,804
Financial liabilities at fair value through profit or loss	7,192	53,684	1,004,423	153,935
Contract liabilities	25,489,558	33,653,950	36,306,083	5,564,151
Lease liabilities	—	182,411	244,011	37,396
	<u>120,378,140</u>	<u>147,667,555</u>	<u>168,610,572</u>	<u>25,840,701</u>
Total liabilities.	<u>175,464,854</u>	<u>207,895,349</u>	<u>236,795,336</u>	<u>36,290,473</u>
Total equity and liabilities	<u>230,445,787</u>	<u>273,231,825</u>	<u>313,765,058</u>	<u>48,086,599</u>
Net current assets.	<u>46,529,971</u>	<u>43,096,894</u>	<u>51,884,825</u>	<u>7,951,697</u>
Total assets less current liabilities	<u>110,067,647</u>	<u>125,564,270</u>	<u>145,154,486</u>	<u>22,245,898</u>

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are heavily dependent on the performance of the property market in the PRC, particularly in Southern China Region, Eastern China Region and Hainan Province

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Most of our property developments are located in Southern China Region, Eastern China Region and Hainan Province. As of December 31, 2020, we had 67 projects in Southern China region, 62 projects in Eastern China region, 21 projects in Western China Region, 21 projects in Central China Region, 30 projects in the rest of China, and 4 projects overseas at various stages of development.

Since our business is and will continue to be heavily dependent on the continued growth of the property market in Southern China region, Eastern China region and Hainan Province, any adverse developments in the supply and demand or in property prices in Southern China region, Eastern China region and Hainan Province would have an adverse effect on our results of operations and financial condition. In addition, future demand for different types of residential properties is uncertain. If we fail to respond to market changes or customer preferences in a timely manner or at all, our business, financial condition and results of operations will be adversely affected.

As consumer spending changes due to changing economic conditions, we cannot assure you that property development and investment activities will continue to grow or that we will be able to benefit from future growth in the property market in Southern China Region, Eastern China region, Hainan Province or the PRC. In addition, we cannot assure you that there will not be any over-supply of properties in the cities or regions where we have property projects. Any such over-supply or adverse developments in national and local economic conditions as measured by such factors as GDP growth (which has slowed down in recent years, with real annual GDP growth slowing to 6.9% in 2017 from 14.2% in 2007), employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and have a material adverse effect on our business, financial condition and results of operations. Demand for and prices of properties in the PRC are also directly affected by the macroeconomic control measures adopted by the PRC government from time to time. In the past few years, the PRC government has announced a series of measures designed to stabilize the rapid growth of the PRC economy and the growth of specific sectors, including the property market, to a more sustainable level. Also see “—Risks Relating to Property Development in the PRC—We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.”

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the “Phase I Agreement”). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this

reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

We cannot assure you that property development and investment activities will continue at past levels, or that we will be able to benefit from the future growth, if any, of the property market in Southern China Region, Eastern China Region and Hainan Province or the PRC in general, or in other areas where we have operations.

The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Many countries have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including strict city lockdowns and travel bans. There is no assurance that more countries will not tighten travel restrictions or lockdowns in response to the pandemic or that the current containment measures will be effective in halting the pandemic.

Several cities in China where we have land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious coronavirus. As a result, sales offices and construction of our development projects were temporarily shut down. Moreover, supply of our raw materials and productivity of our employees may be adversely affected. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Furthermore, our properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in our properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operations, performance and prospects. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. The outbreak is however far from over, and in different countries, is showing signs of resurgence and further waves of infections are recorded everyday. There can be no assurance that any recovery momentum will continue in the future.

We may be adversely affected by fluctuations in the global economy and financial markets

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On August 6, 2011, Standard and Poor's Ratings Services ("S&P") downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, could lead to another global economic downturn and financial market crisis. Further, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union had a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit

remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market. More recently, since June 2019, Hong Kong has been experiencing protests and riots initially triggered by a proposed extradition law amendment bill and the full extent of the adverse impact on the local economy caused by such activities are yet to be seen.

The outlook for the world economy and financial markets remains uncertain. In Europe, the Greek economy remains in a deep recession due to its sovereign debt crisis, which the Eurozone is still trying to tackle. In the United States, economy growth remains slow, creating further uncertainty with respect to the Federal Reserve's monetary policy and the trend of interest rates. Further, the COVID-19 Pandemic has been causing immeasurable harm in both Europe and the US, and the economic outlook has not been positive. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their selling prices. The PRC economy and property market will still be dependent on the global market, especially the economic conditions in Europe and the United States. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity and potential property purchaser's ability to obtain financing. Therefore, if the global economic slowdown and uncertainty in the financial markets continue, our business, financial condition and results of operations may be adversely affected.

Increasing competition in the PRC, particularly in Southern China Region, Eastern China region and Hainan Province, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects in Southern China region, Eastern China region, Hainan Province and elsewhere in the PRC. Our major competitors include large national and regional property developers and overseas developers (including a number of leading Hong Kong property developers), some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local homebuilders.

The intensity of competition among property developers in Southern China Region, Eastern China region, Hainan Province and elsewhere in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, an over-supply of properties in certain parts of the PRC, including Southern China Region, Eastern China region and Hainan Province, a decrease in property prices and delays in the government approval process. Any of the above may adversely affect our business, financial condition and results of operations.

In addition, the property markets in Southern China Region, Eastern China region, Hainan Province and elsewhere in the PRC have been rapidly changing. If we cannot respond to changes in market conditions in Southern China Region, Eastern China region and Hainan Province or elsewhere or changes in customer preferences more swiftly or effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

Our strategy of expanding into new geographical areas may fail

We have from time to time, been expanding our business into geographical areas outside the Southern China Region. We also evaluate potential projects for development outside the PRC from time to time, including but not limited to those in Hong Kong, Malaysia, Cambodia and the U.S. We may also pursue selective strategic acquisitions of businesses and properties if suitable opportunities arise. We cannot assure you that we will be able to replicate our successful business models and leverage such experience to expand into other parts of China. In January 2014, we partnered with PJ Development Holdings Berhad to develop a property project in Kuala Lumpur, Malaysia, which was our first project in the overseas market. In May 2014, we partnered with Tropicana Corporation Berhad to develop another property in Kuala Lumpur, Malaysia. In 2017, we acquired a project in Hong Kong. In 2019, we acquired one project in Phnom Penh, Cambodia. In 2020, we acquired a project in San Francisco of the United States. When we enter new markets, we may face intense competition from developers with experience or established presence in the geographical areas or segments that we plan to expand into and

from other developers with similar expansion plans. In addition, expansion or acquisition requires a significant amount of capital investment, and it may divert the resources and time of our management. Further, if we fail to integrate the new businesses effectively, our operating efficiency may be adversely affected. Our failure to manage any of our planned expansion or acquisitions may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been expanding our operations in recent years and expect to continue expanding. We have entered new geographical markets and new industries such as construction and environmental protection. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

We have started expanding our operations into other industries and such expansion may not be successful

We have taken initiatives or made plans to expand into new industries such as environmental protection, construction and real estate construction management with a view to establishing alternative revenue sources. For more information, see the sections entitled “*Business—Environmental Protection*”, “*Business—Construction*” and “*Business—Real Estate Construction Management*”. There is no assurance that we can leverage our experience in the property industry and replicate our success in other industries.

Our expansion in general may require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment or market, navigating different regulatory regimes or obtaining necessary governmental approvals, difficulties in gaining market recognition or competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, ability to develop the necessary technology or know-how for the new businesses, and the diversion of resources and attention of our management.

Moreover, our entry into new industries has exposed or will expose us to additional risks common in such industries. Operations in new industries may elevate our risks in areas such as regulatory compliance, customer complaints or lawsuits. In addition, our expansion plan may also be adversely impacted as a result of the outbreak of COVID-19 which continues to spread within the PRC and globally. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations. See “Recent Developments—*COVID-19 Pandemic*.”

Our financing costs are affected by changes in interest rates

Our financing costs and, in turn, our business, financial condition and results of operations, are affected by changes in interest rates. A substantial portion of our borrowings are linked to benchmark lending rates published by the People’s Bank of China (the “PBOC”). Such rates have fluctuated in recent years in line with government macro-economic policies. As of December 31, 2020, regardless of exchange differences arising from foreign currencies borrowings, the effective interest rate on our outstanding borrowings was 6.6% and we had RMB97,812.8 million (US\$14,990.5 million) of outstanding borrowings (including our senior notes, various credit facilities and other borrowings). Our interest expenses on bank and other borrowings and syndicated loans for 2018, 2019 and 2020 were RMB3,571.7 million, RMB4,965.8 million and RMB5,339.3 million (US\$818.3 million), respectively. Since December 31, 2020, we have entered into additional financing agreements that can impact our financing

costs. See “Recent Developments” and “Description of Other Material Indebtedness” for more details. The PBOC may raise lending rates again in the future, in which case our business, financial condition and results of operations will be adversely affected.

The PRC government has imposed restrictions on PRC property developers to obtain offshore financing which could affect our ability to inject the funds raised in the offering into our business in the PRC

The “Notice on Further Strengthening the Regulation on Approval and Supervision of Foreign Direct Investment in Real Estate Industry in the PRC” (關於進一步加強規範外商直接投資房地產業審批和監管的通知) jointly issued by the Ministry of Commerce (“MOFCOM”) and the State Administration of Foreign Exchange (“SAFE”) on May 23, 2007, and the “Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈<外債登記管理辦法>的通知) issued by SAFE on April 28, 2013, which became effective on May 13, 2013 and contains an appendix named the “Operating Guidelines for Foreign Debt Registration Administration” (外債登記管理操作指引), stipulate, among other things, (i) that the local foreign exchange authorities will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from and registered with MOFCOM on or after June 1, 2007; and (ii) that the local foreign exchange authorities will no longer process foreign exchange registrations (or any change in such registrations) or applications for settlement and sale of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local commerce departments on or after June 1, 2007 but that did not register with MOFCOM. These regulations effectively restrict us from injecting funds raised offshore into our PRC project companies by way of shareholder loans. Without this flexibility, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each distribution payment date to pay the distribution due and payable under the Notes, or on a redemption date to pay for the principal of the Notes.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from or filings with the commerce department of the local government, which may take considerable time and delay the actual contribution to our PRC subsidiaries. This may adversely affect the financial condition of our PRC subsidiaries and may cause delays to the projects undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation. Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

According to Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance (關於進一步推進外匯管理改革完善真實合規性審核的通知) (“Circular 3”), issued by SAFE on January 26, 2017, enterprises are permitted to directly or indirectly transfer proceeds from overseas loans guaranteed by an onshore enterprise for onshore use by loaning the proceeds to an onshore enterprise or using the proceeds to make investments in an onshore enterprise’s capital or securities. Whether Circular 3 applies to the real estate industry, however, is presently unclear and subject to SAFE’s subsequent practice.

On June 27, 2018, NDRC emphasized in a post published on its website that the proceeds from offshore bond offerings by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital.

On July 12, 2019, the NDRC published on its website A Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (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), which imposes additional restrictions on real estate enterprises incurring medium- to long-term foreign debt. The use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing medium- to long-term offshore debts of the real estate developer which will become due within one year. The real estate developer is required to specify in documents for application of foreign debt registration with NDRC the details of such medium- to long-term offshore debts, such as amount, maturity date, and whether such medium- to long-term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter regarding the authenticity of its foreign debt issuance.

We may not be able to obtain sites that are suitable for property developments

We derive a substantial portion of our revenue from sales and delivery of properties developed by us. This revenue stream is dependent on the completion of, and our ability to sell, our property developments. To maintain or grow our business in the future, we are required to replenish our land bank with suitable sites for development. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain substitute land sites for development in the future at commercially acceptable prices or at all. As of the date of this offering memorandum, two of our project companies were listed into the List of dishonest behaviors in bidding for state-owned construction land use right (國有建設用地使用權挂牌競價出讓失信行為人名單), which prohibited the relevant project companies in participating bidding for state-owned construction land use right in Suzhou for 3 years since the day they were listed.

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability to acquire land use rights for sites we identify and the costs of our acquisitions. The PRC central and local governments may regulate the means by which property developers, including ourselves, obtain land sites for property developments. See “—Risks Relating to Property Development in the PRC—We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.”

We may not be able to obtain land use rights certificates with respect to certain parcels of land in which we currently have interests

We have signed land grant contracts or transfer documents for, or otherwise hold other forms of interests in, certain land parcels for 14 of our projects for which we had not yet obtained land use rights certificates. As of December 31, 2020, these parcels of land occupied an aggregate site area of approximately 1.8 million sq.m. We cannot assure you that we will not be subject to a late payment penalty and there are instances that we have been subject to late payment penalties. There are also instances that we have not finally obtained land use rights after entered into the land grant contract because of the government’s adjustment on the land planning and other reasons. If we fail to complete the acquisition of these pieces of land, we will not be able to develop and sell properties on such land. We may not be able to acquire replacement land on terms commercially acceptable to us, or at all, which could have a material adverse effect on our business, financial condition, results of operations and business prospects. See “Business—Description of Property Developments.”

The PRC government has implemented restrictions on the payment terms for land use rights

On September 28, 2007, the Ministry of Land and Resources issued the revised “Rules regarding the Grant of State-owned Land Use Rights for Construction by Way of Tender, Auction and Listing-for-sale” (招標拍賣掛牌出讓國有建設用地使用權規定), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. On March 8, 2010, the Ministry of Land and Resources issued the “Circular on Strengthening Real Estate Land Supply and Supervision” (關於加強房地產用地供應和監管有關問題的通知), under which property developers are required to pay 50% of the land premium as a down payment within one month of signing a land grant contract, and the balance is to be paid in full within one year of the date of the land grant contract. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our cash flow position, financial condition and business plans.

The MOHURD and the Ministry of Land and Resources jointly issued the “Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply” (關於加強近期住房及用地供應管理和調控有關問題的通知) dated April 1, 2017 which requires that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to

acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations.

Our profit margin is sensitive to fluctuations in the costs of construction materials and land

Construction and land costs constitute one of the main components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third party contractors, labor costs, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of our property development projects, with the cost of third-party contractors remaining relatively stable. However, as construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs. We also carry out certain construction work through our construction subsidiary which is directly affected by such cost fluctuations. In recent years, there has been a significant increase in construction material costs and labor costs. We believe that construction costs will likely continue to rise with inflation in the foreseeable future.

Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and cement. In line with industry practice, if there is a significant price fluctuation, depending on the specific terms of each contract, we will be required to re-negotiate existing construction contracts to top up payment to, or receive refund from, the contractors, depending on the price movement. Our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected. In 2020, gross profit of the Group was RMB24,102 million, representing an increase of 31.3% when compared with RMB18,358 million in 2019 and gross profit margin of the Group was 30.0%, representing a decrease of 0.5 percentage points when compared with 30.5% in 2019.

In addition, land costs may fluctuate as a result of the price volatility of land. In 2018, 2019 and 2020, our total land costs transferred to cost of sales amounted to approximately RMB7,432.1 million, RMB13,303 million and RMB16,446 million (US\$2,520.5 million), representing 14.2%, 24.6% and 23.6% of our sales revenue from property development during these periods, respectively. Our profit margin is sensitive to changes in market prices of land.

We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations

The property development business is capital intensive. We have financed our land acquisitions and property developments primarily through a combination of internal funds, borrowings from both domestic and foreign banks, pre-sales and sales proceeds, and proceeds from our equity and debt financing. However, we cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. As of December 31, 2020, our outstanding long-term and short-term borrowings were RMB59,243.7 million (US\$9,079.5 million) and RMB38,569.0 million (US\$5,911.0 million), respectively.

Our ability to obtain adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. The PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements for property developers, which, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of luxury residential properties;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;

- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local region; and
- forbid commercial banks from issuing loans or providing loan extension services to a developer for its new projects if the developer has a record of maintaining idle land, changing the land use purpose and nature without proper approval, delaying the construction commencement or completion date, hoarding properties or other forms of non-compliance.

In addition, the PBOC regulates the lending rates and reserve requirement ratios for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. We cannot assure you that the PBOC will not raise either the reserve requirement ratios or the benchmark one-year lending rate in the future. Such increases may negatively impact the amount of funds available to commercial banks in China to lend to businesses, including us, and may therefore adversely affect our business, financial condition and results of operations.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment of land premium to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the balance to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments. In April 2017, the PRC government required that local authorities should adopt procedures to examine the source of funds for land acquisitions to insure the property developers acquiring land with internal funds. These requirements may constrain our cash otherwise available for additional land acquisition and construction. There are instances where we have not paid the land premiums on time and have paid penalties for this. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments, or to service our financing obligations, and our business and financial condition may be materially adversely affected. In addition, the increase in benchmark lending rates has led to higher interest rates for mortgage loans, which may depress demand in the property market in general. More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to their leverage ratios such as gearing ratio.

Moreover, on September 21, 2018, Guangdong Real Estate Association issued an “Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses” (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancellation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. In the event that the PRC governments prohibit pre-sale of properties or impose additional or more stringent requirements, the property developers like us may not have sufficient cash flows for property development projects and have liquidity problems. If we do not have sufficient cash flows from pre-sale to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to legal and business risks if we fail to obtain formal qualification certificates

Property developers in the PRC must obtain a formal qualification certificate in order to engage in a property development business in the PRC. According to the “Provisions on Administration of Qualification Certificates of Property Developers” (房地產開發企業資質管理規定), newly established developers must first apply for a provisional qualification certificate valid for one year, which can be renewed for a maximum of two additional one-year periods. Entities engaged in interior decoration should also obtain qualification certifications before commencing their business, according to the “Provisions on Administration of Qualification Certificates of Construction Enterprises” (建築業企業資質管理規定). However, on March 8, 2018, the Measures on Administration of Qualification Certificates of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property services.

In addition, property developers in the PRC, such as our individual project companies, are required to present a valid qualification certificate when they apply for a pre-sale permit. If a newly established property developer fails to commence developing property within one-year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. In reviewing the renewal of a qualification certificate, the local authority takes into account the property developer’s registered capital, property development investments, history of property development, quality of property construction, expertise of the developer’s management, as well as whether the property developer has any illegal or inappropriate operations. Each of our project companies needs to renew such certificates every year.

If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. As of the date of this offering memorandum, certain of our project companies which have property development projects are in the process of applying for qualification certificates or in the process of renewing their qualification certificates. However, we cannot assure you that any of our project, property service or construction companies will be able to obtain, maintain or renew such qualification certificates from the government in a timely manner, or at all, as and when they expire. If our project, property service or construction companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee financial institutions if our purchasers default on their mortgage payments

We arrange for various domestic banks to provide mortgages to the purchasers of our properties. In accordance with market practice, financial institutions require us to provide guarantees in respect of these mortgages. Substantially all of these guarantees are discharged upon earlier of (i) the issuance of the property ownership certificate, which will generally be available within one to two years after the purchasers take possession of the relevant property and (ii) the satisfaction of relevant mortgage loans by purchasers. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the financial institutions. As of December 31, 2018, 2019 and 2020, our outstanding guarantees over mortgage loans of our customers amounted RMB44,775.4 million, RMB38,294.4 million and RMB51,377.8 million (US\$7,874.0 million), respectively. In addition, we also provide guarantees to mortgages for purchases of properties developed by joint venture partners or associates in which we participated. As of December 31, 2018, 2019 and 2020, our proportionate interest in financial guarantee of mortgage facilities for purchasers relating to the associates was RMB73.0 million, RMB3,100.5 million and RMB2,785.0 million (US\$420.4 million), respectively, and our proportionate interest in financial guarantee of mortgage facilities for purchasers relating to the joint ventures was RMB3,407.1 million, RMB13,308.1 million and RMB426.8 million (US\$1,816.6 million), respectively. Although we have historically experienced a low rate of default on mortgage loans guaranteed by us, we cannot assure you that such purchaser default rates will not increase in the future. If such default occurs and our relevant guarantee is called upon, our business,

results of operations and financial condition could be materially and adversely affected to the extent that there is a material depreciation in the value of the related properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

Our operating results fluctuate from period to period and the fluctuations make it difficult to predict our future performance

Our results of operations have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. For 2018, 2019 and 2020, our revenue was RMB56,144.9 million, RMB60,239.1 million and RMB80,245.3 million (US\$12,298.1 million), respectively, and net profit attributable to our shareholders was RMB7,125.0 million, RMB7,511.8 million and RMB9,474.6 million (US\$1,452.0 million), respectively. Because we derive our revenue substantially from the sale of properties, our results of operations are affected by the demand for our properties and the price at which we are able to sell them. The demand for and pricing of the properties are in turn, to a large extent, affected by the general condition of the property market. In addition, we recognize proceeds from the sale of a property as revenue when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the purchaser obtains control of the asset. Therefore, our revenue and profit during any given period reflect the quantity of properties delivered during that period and are affected by peaks or troughs in our property delivery schedule and may not be indicative of the actual demand for our properties or sales achieved during that period. Our revenue and profit during any given period generally reflect property investment decisions made by purchasers in the past, typically in the prior fiscal period. As a result, our current or historical operating results are not necessarily indicative of future results.

We rely on independent contractors to provide property development products and services

In line with industry practice, we mostly engage independent contractors to provide various property development services, including construction, piling and foundation, engineering, interior decoration and fitting out, mechanical and electrical installation and utilities installation. We select independent contractors through open tenders. We typically invite contractors to tender bids based on their reputation for quality, track record, financial strength, price and references, and once a contract is awarded, we supervise the contractor's work. However, we cannot assure you that the services rendered by any of these independent contractors or subcontractors will be completed in a timely manner or of satisfactory quality.

If these services are not timely provided or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects, and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed sum to which they committed contractually and we may have to bear such additional amounts. Furthermore, any contractor that experiences financial or other difficulties, including labor disputes with its employees, may be unable to carry out construction or related work, resulting in a delay in the completion of our projects or resulting in additional costs. We believe that any problems with our contractors, individually or in the aggregate, may materially and adversely affect our financial condition, results of operations or reputation. We cannot assure you that such problems with our contractors will not occur in the future.

Disputes with joint venture partners or our project development partners may adversely affect our business

In recent years, we began to develop a number of projects through joint venture arrangements, including the Asian Games JV, with independent third parties, such as the principal investment groups of global investment banks, real estate funds and other property developers.

Our joint venture partners or project development partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements; or

- have financial difficulties and expose us to potential credit risk.

Furthermore, any actual or perceived deterioration in the reputation of our joint venture partners could have an adverse impact on our business operations, profitability and prospects.

In addition, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations and would divert resources and management's attention. See "— Risks Relating to Our Business — We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result."

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See "—Risks Relating to Our Business—We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result." In addition, even if a jointly developed project is successfully completed, the project may not be well received by the market and we may not realize all the benefits we anticipated.

In the event that we encounter any of the foregoing problems with respect to our joint venture partners or project development partners, our business operations, profitability and prospects may be materially and adversely affected. See "—Risks Relating to Our Business—We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result."

Our land use rights may be subject to forfeiture by the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, even if the time of commencement of the land development is in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract; and (ii) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land.

Some of our PRC subsidiaries such as subsidiaries in Hainan, Xishuangbanna and Chuzhou historically have received idle land notices or idle land investigation notices from the relevant local PRC government for certain parcels of land of our projects. We were also requested to pay idle land fees for certain parcels of land which were regarded as idle lands by the local government. We have now commenced the development or permitted to postpone the development of some of these parcels or are negotiating with the local government authorities for the settlement. In relation to some parcels of the aforesaid land, the local PRC government has withdrawn its idle land notice or has granted an extension of the development time.

In addition, we currently have certain parcels of land, of which we have not commenced or completed the property development within the time period as stipulated in the respective land grant contracts but have not received any idle land notice. For some of these parcels we are subject to the default penalty and for some of these parcels we are discussing with the local governmental authorities for the settlement such as land replacement, while certain parcels of land in Chuzhou have been forfeited by local land authority. However, we cannot assure you that the government will waive the default penalties of idle land fee or allow us to postpone the development or not issue an default penalties of idle land notice for such land parcels and such situation will adversely affect the development of certain project. If the local government authorities do not waive the idle land fee imposed on us or grant an extension under the existing land grant contracts, we will be required to pay the idle land fee as stipulated in the relevant notice and may further be required to pay penalties or be negatively impacted in relation to our future ability to obtain land from the PRC government. We cannot assure you that future circumstances leading to penalty on, or forfeiture of, land use rights in respect of idle land or delays in the completion of a property development may not arise in the future. If our land use rights are forfeited, we will not be able to continue our property development on the affected land or recover the costs incurred for the initial acquisition of the forfeited land use rights or recover development costs and other costs incurred up to the date of forfeiture, each of which will have a material adverse effect on our business, financial condition and results of operations.

The availability and affordability of mortgages to purchasers may affect our sales

Most of our purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in such manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower's monthly income. In addition, to curtail the overheating of the property sector, between 2006 and 2008, the PRC government implemented, among other things, regulations that increased the down payment requirement for mortgage loans in respect of residential and commercial properties. In the second half of 2008 and in 2009, in order to mitigate the impact of the global economic slowdown, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding the PBOC benchmark bank lending rates. Furthermore, the minimum down payment ratio for residential properties was lowered to 20% for units with a unit floor area of less than 90 sq.m. per unit. However, to curtail the overheating of the PRC property market, the General Office of the State Council on January 7, 2010 issued the "Circular on Facilitating the Stable and Healthy Development of Property Market" (關於促進房地產市場平穩健康發展的通知), which provides that the down payment for the second property bought with mortgage loans shall not be less than 40% of the total purchase price. On April 17, 2010, the State Council issued the "Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities" Guofa (2010) No. 10 (國務院關於堅決遏制部份城市房價快上漲的通知) which stipulated that down payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or further properties bought with mortgage loans or to non-residents who cannot provide any proof of income tax or social insurance payment more than one year. On September 29, 2010, PBOC and the China Banking Regulatory Commission (the "CBRC") jointly issued the "Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies" (關於完善差別化住房信貸政策有關問題的通知), under which, the minimum down payment for all first home purchases is increased to 30% of the purchase price. On January 26, 2011, the State Council issued the "Notice Concerning Further Strengthening the Macro economic Control of Real Property Market" (關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment is raised to 60% of the purchase price for second-house purchases with the minimum loan interest rate at 110% of the benchmark rate. In October 2011, a number of PRC domestic banks raised the mortgage rates for first-time home buyers by a minimum of 5%. In addition, due in large part to the PRC government's credit tightening policies, the bank approval process for a mortgage loan application in 2011 generally took longer than before. On February 26, 2013, the General Office of the State Council announced the "Notice on Continuing to Improve the Regulation and Control of the Real Estate Market" (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that for cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase

down payment ratios and interest rates for loans to purchase second properties. In the third quarter of 2013, there has been a further increase on the down payment ratio of second home purchase mortgages. On September 29, 2014, the PBOC and CBRC jointly issued the “Notice on Further Improving Financial Services for Real Estate Sector” (關於進一步做好住房金融服務工作的通知), which provides that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property is 70% of the benchmark lending interest rate; (2) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. On March 30, 2015, the PBOC, CBRC and MOHURD jointly issued the “Notice on Relevant Issues Concerning the Individual Housing Loan Policy” (關於個人住房貸款政策有關問題的通知), which provides that where a household that owns a residential property and has not paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. Effective from January 1, 2021, PRC banks (excluding their overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans they lend to the proportions determined by PBOC and CBRC and calculated based on the total amount of RMB loans extended by such PRC banks. Due to these factors, the availability and attractiveness mortgage financing may change from time to time. Our prospective customers may not be able to obtain mortgage loans in time, if at all, and as a result, our business, liquidity and results of operations could be adversely affected.

Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Changzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. In April 2018, Hainan province has promulgated stricter measures to restrict the purchase of residential properties. Our business, financial condition and results of operations may therefore be adversely affected.

In addition, in line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could adversely affect our business, financial condition and results of operations. We cannot assure you that such changes in laws, regulations, policies or practices will not occur in the future.

We face risks related to the pre-sale of properties, including the risk that property developments are not completed

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would find ourselves liable to purchasers of pre-sold units for losses suffered by them. If a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3% from the GFA specified in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

On August 5, 2005, the PBOC issued a report entitled “2004 Real Estate Financing Report” in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the “two meetings” (the plenary session of the National People’s Congress and that of the Chinese People’s Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of the PBOC, put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of the PBOC, published an article suggesting that the way to perfect the system for commodity housing presale of China is to abolish the financing function of presale. On July 24, 2007, an economy research group under the National Development and Reform Commission (the “NDRC”) proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. Moreover, on September 21, 2018, Guangdong Real Estate Association issued an “Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses” (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancellation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. See “—Risks Relating to Our Business— We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations.” Moreover, we cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. Any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our need to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow results of operations and financial condition.

We face significant property development risks before we realize any benefit from a development

Property developments typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of property developments, if at all. The time and costs required in completing a property development may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent, the completion of a property development and result in costs substantially exceeding those originally budgeted for. In addition, failure to complete a property development according to its original specifications or schedule may give rise to potential liabilities and, as a result, our return on investments may be lower than originally expected.

We may be liable to our customers for damages if we do not deliver the property or individual property ownership certificates in a timely manner

Property developers are typically required to deliver the property within a time set out in the relevant property purchase contract and deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant property purchase contracts. Property developers, including ourselves, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the property purchase contracts to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration for it to issue a certificate of completion of the relevant properties before the delivery of such properties, and apply for the master property ownership certificate in respect of these properties after obtaining the certificate of completion. We are then required to submit within a certain period after delivery of the properties, the relevant property purchase contracts, identification documents of the purchasers, proof of payment of deed tax, together with the master property ownership certificate, to the relevant local authority for it to review and issue the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by any administrative authority in reviewing the application and granting approval as well as other factors may affect timely delivery of the property and the master as well as individual property ownership certificates. There are instances that we were liable for the late delivery of the

property and the individual property ownership certificates and paid penalties to the purchasers. We cannot assure you that we will not become liable to purchasers for late delivery of the individual property ownership certificates due to our own fault or for any reason beyond our control in the future.

Any failure to protect our brand and trademarks could have a negative impact on our business

We believe our trademarks and brands are critical to our success. Any unauthorized use of our brand, trademarks and other intellectual property rights could harm our competitive advantages and business. Historically, China has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving. If we are unable to adequately protect our brand and trademarks, we may lose these rights and our business may suffer materially.

We may be materially and adversely affected if the resettlement costs or similar costs associated with certain property developments increase

Land parcels acquired by property developers for future development may have existing buildings or other structures or may be occupied by third parties. Where land is obtained from the PRC government, resettlement or similar costs are usually included in the land premium payable. Government authorities are required to enter into written agreements with the owners or residents of properties subject to demolition and to provide compensation for their relocation and resettlement. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by us may be subject to substantial increases, which could adversely affect our business, results of operations and financial condition. In addition, any delay or difficulty in the resettlement process may cause a delay in the delivery of land to us, in whole or in part, and may cause an increase in the fees payable in connection with the resettlement process. In addition, if a local government fails to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, it may unilaterally decide on a compensation plan, but the owners or residents have the right to file for administrative review with relevant government authorities or initiate lawsuits, which may further delay a project's timetable for completion. Such delays may lead to an increase in cost and a delay in the expected cash inflow from pre-sales of the relevant projects. If we experience an increase in resettlement costs or any delays due to the inability to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may be involved in, and there have been instances historically involving disputes with various parties involved in the land acquirement, development, decoration and sale of our properties, including but not limited to contractors, suppliers, construction workers, sellers of projects or project companies, tenants, purchasers, governments, sales agents and project development partners. We may also be involved in disputes with various parties relating to our property management business. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. As most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we historically had and may have disagreements with regulatory bodies and be subject to investigations in the course of our operations, which has or may subject us to administrative proceedings, unfavorable decrees and penalties that result in material liabilities and cause delays to our property developments. From time to time, our officers and management may be parties to litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

See “—Risks Relating to Our Business—Disputes with joint venture partners or our project development partners may adversely affect our business.” We cannot assure you that we will not experience similar disputes with potential joint venture partners, or that any disputes with parties involved in the development and sale of our properties in the future will not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation.

Our branding and marketing strategy could be adversely affected if homeowners in the projects that we have developed elect to discontinue our engagement as the provider of property management services

We provide post-sale property management services to the owners of each residential project that we have developed through A-living and its subsidiaries. We believe that property management is an integral part of our business and is very important to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the homeowners in a residential community have the right to change the property management company through collective action. If owners of the projects that we currently manage elect to discontinue our property management services for any reason, our branding strategy and the marketing of our future property development could be adversely and significantly affected.

We do not have insurance to cover potential losses and claims in our operations

We do not maintain insurance for destruction of or damage to our property developments that are under development or completed and pending delivery, other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the loan agreements. We also do not carry insurance to cover personal injuries that may occur during the construction of our property developments. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on work sites. Although we believe any such liability would be borne by third-party construction companies, we cannot assure you that we will not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages and liabilities in the course of our operations and property development, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial condition.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT or other tax obligations and increase the LAT prepayment rate

Under PRC tax laws and regulations, our PRC subsidiaries that are in the property development business are subject to LAT which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but are required to pay only a portion of such provisions each year pursuant to tax regulations. For 2018, 2019 and 2020, LAT charged to our income tax expense was RMB6,838.1 million, RMB3,875.7 million and RMB4,139.8 million (US\$634.5 million), respectively. For the same periods, we made payments for provisional LAT in the amount of RMB2,620.6 million, RMB3,668.2 million and RMB3,539.9 million (US\$541.9 million), respectively. Our LAT provision balance as of December 31, 2018, 2019 and 2020 amounted to RMB14,044.2 million, RMB14,251.8 million and RMB14,851.7 million (US\$2,276.1 million), respectively. Our LAT provisions are based on our estimate of a portion of our properties that are eligible for certain exemptions available to ordinary residential properties. We cannot assure you that the tax authorities will agree with our estimation or the basis on which we calculate our LAT or other tax obligations. In the event that the tax authorities assess us with additional LAT or other tax and we are unable to successfully challenge such assessments, our net profits after tax may be adversely affected. In addition, we will be subject to LAT in the new markets as we expand our property developments and we cannot assure you that the LAT obligations we are to assess and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Since January 2005, we have been required to pay provisional LAT in respect of the sales and pre-sales of our properties in Guangzhou, Guangdong Province. In Zhongshan and Foshan, Guangdong Province, provisional LAT requirements have been in effect since 1996 and 2002, respectively. Likewise, we are required under local regulations to pay provisional LAT in other regions or cities when we start to pre-

sell our property developments in these regions or cities. Generally, the provisional LAT rates in these cities range from 1% to 2.5% of the pre-sale proceeds, depending on the type and location of the pre-sold properties.

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (關於房地產開發土地增值稅清算管理有關問題的通知), which requires that:

- final settlement of LAT will be conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo the LAT clearance and settlement process;
- the appreciated value of ordinary residential properties and non-ordinary residential properties contained within a project shall be calculated separately; and
- property developers must conduct final settlement if one of the following conditions is satisfied:
 - the project is completed and has been sold entirely;
 - the project is transferred as a whole before the completion of the construction; or
 - the land use rights of the project are transferred.

This notice also stipulates that the PRC tax authorities may require the property developer to conduct final LAT settlement if one of the following conditions is met:

- for completed projects, the area sold exceeds 85% of the total saleable area or, if less than 85%, the unsold saleable area has been rented or is self-occupied;
- the project has held a sale/pre-sale license for at least three years but has not been sold out completely;
- the taxpayer has applied for tax de-registration but the LAT settlement has not been conducted; or
- other situations set forth by the provincial PRC tax authorities.

Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations and there are uncertainties as to how they will enforce this notice.

On May 25, 2010, the State Administration of Taxation published the “Circular on Strengthening the Collection and Administration of Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知) (the “SAT Circular”). According to the SAT Circular, all local governments were required to make adjustments to the then prevailing provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in the middle and northeastern regions shall not be lower than 1.5% and the provinces in the western region shall not be lower than 1%; and the local governments may determine the provisional LAT rate applicable to different types of real estate.

In the event that relevant tax authorities change their requirements as to the amount or timing of payment of provisional LAT or increase the LAT prepayment rate, our cash flow may be materially and adversely affected.

The construction business and the property development business are subject to claims under statutorily mandated quality warranties

Under “Regulations on the Administration of Quality of Construction Works” (建設工程質量管理條例), all property development companies in the PRC are obliged to ensure the quality for the properties they construct or sell. We are required to provide quality warranties to our customers. These are instances that certain of our subsidiaries received claims from our customers about the quality of our properties. We may sometimes receive quality warranties from third-party contractors we hire to construct our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the retention money retained by us is not sufficient to cover our payment obligations

under the quality warranties, we could incur significant expenses to resolve such claims or face delays as a result of correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

In addition, operations at construction sites are intrinsically dangerous, involving the use of industrial machinery and the hoisting of heavy construction materials, typically within confined spaces. Construction operations may also be affected by use of various contractors and adverse weather conditions. Historically, accidents have occurred at certain of our construction sites, which we believe are attributable to inadequate attention to certain safety measures on such sites. While we continue to take steps to improve our construction management, we cannot assure you that similar accidents will not occur again in the future. Should such accidents continue to occur, we may be subjected to legal liability, prolonged negative publicity or official investigation, and we may have to stop work on construction sites for a prolonged period of time while we undertake safety checks, any of which would have a material adverse effect on our business, financial condition and results of operations.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services

Our future success depends heavily upon the continuing services of the members of our senior management team. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions or if their services are disrupted as a result of being involved in or providing assistance to any investigations by authorities or administrative, legal and other proceedings, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition, results of operations and prospects may be materially and adversely affected.

Competition for senior management and key personnel is intense while the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or other key personnel, or attract and retain high-quality senior executives or other key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose customers and key professionals and staff members.

Our controlling shareholders are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of December 31, 2020, approximately 67.1% of our outstanding shares were beneficially owned by the Chen family. Subject to compliance with applicable laws, by maintaining such ownership, the Chen family is able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In particular, the strategic goals and interests of the Chen family may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the Notes.

Our results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for a significant number of our property developments

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates of completion. Each approval is dependent on the satisfaction of certain conditions. There were instances where penalties or administrative investigations were imposed on us by relevant local government for failing to develop in accordance with approval or to obtain the approval in a timely manner, such as construction commencement permits and construction plan permits, or the approval of using the woodland rural land and geothermal energy for certain of our property projects. Also, some of our land, buildings and other facilities have been forfeited by relevant local government, due to the failure to fulfill certain approval procedure of land use rights. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect

to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted, which would materially and adversely affect our business, results of operations and financial condition.

The non-compliant GFA of some of our completed property developments may subject us to additional payments, corrective actions, or potential liabilities

The local government authorities inspect our property developments after completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the amount of GFA authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorized by the construction permit, we may be required to make additional payments or take corrective actions with respect to such non-compliant GFA before the property development may obtain a completion certificate. If we fail to obtain the completion certificate due to such non-compliance, we will not be allowed to deliver the relevant properties or recognize any revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

Potential liability for environmental problems could result in substantial costs and delays

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as the nature of the adjoining properties. Environmental laws and conditions, may cause us to incur substantial compliance and other costs and can prohibit, delay, or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit the environmental impact documents, issue orders to suspend construction and impose a penalty amounting up to 1%–5% of the total investment amount for each of our projects for which approval of the environmental impact assessment document has not been granted prior to the commencement of construction. For certain of our projects, we did not submit the environmental impact assessment documents although we have obtained the relevant government approvals to commence the development of these projects. However, we cannot assure you that the local authorities will not impose a penalty upon us with respect to these projects due to the lack of such environmental impact documents or that an environmental investigation with respect to these projects in the future would not reveal material environmental liabilities.

In addition, PRC law had required environmental facilities to be included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our projects have environmental facilities that are subject to this requirement and are undergoing inspections. If we fail to comply with such requirement, the local environmental authorities may order us to suspend the construction or use of such facilities, which may disrupt our operations and adversely affect our business. The authorities may also impose on us a fine of up to RMB1,000,000 per breach in respect of such projects. We cannot assure you that we can obtain such approvals in a timely manner, or at all. In the event that such completion approvals cannot be obtained or if fines are imposed on us, our business, results of operations and financial condition may be materially and adversely affected. From November 20, 2017, PRC law requires the project company to conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects maintained by the Ministry of Ecology and Environment. The environmental protection departments at all levels shall carry out supervision and inspection by randomly selecting inspection objects and randomly selecting law enforcement inspectors relying on the completed construction project environmental protection acceptance information platform, and the supervision

results should open to the public. If we fail to comply with such requirement, the local environmental authorities shall order us to make corrections within a time limit and a fine of up to RMB200,000 per breach in respect of such projects.

There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect the value of our properties.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on interest we pay on the Notes

Under PRC tax laws effective prior to January 1, 2008, dividends, interest and other amounts paid to foreign investors by foreign-invested enterprises, such as amounts paid to us by our operating subsidiaries in China, were exempt from PRC withholding tax. Under the Corporate Income Tax Law (企業所得稅法) (“CIT Law”) and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax purposes. The implementation rules define the term “de facto management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

We hold our shareholders’ meetings and board meetings outside China and keep our shareholders’ list outside China. However, most of our directors and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities in determining whether we are a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such determination.

Although it is unclear under PRC tax law whether we have a “de facto management body” located in China for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for CIT Law purposes, we would be subject to the PRC corporate income tax at the rate of 25% on our worldwide income. Furthermore, we may be obligated to withhold PRC income tax of up to 7% on payments of interest and redemption premium on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and redemption premium on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the interest and redemption premium may be regarded as being derived from sources within the PRC. In the case of individual holders of Notes, the tax may be withheld at a rate of 20%. In addition, if we fail to do so, we may be subject to fines and other penalties. If we are required to withhold PRC tax from interest payments on the Notes, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have an adverse effect on our financial condition. Further, if we were treated as a PRC resident enterprise, any gain realized by a non-resident enterprise investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax in the case of non-resident enterprises or 20% in the case of non-resident individuals.

Our investments in the PRC are subject to the PRC government's control over foreign investment in the property sector

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強規範外商直接投資房地產業審批和監管的通知), which, among other things, provides that:

- foreign investment in the property sector in the PRC relating to high-end properties should be strictly controlled;
- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

On July 10, 2007, SAFE issued a circular indicating that for foreign-invested enterprises in the real estate sector, it would not process any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM on or after June 1, 2007.

On November 22, 2010, MOFCOM promulgated the “Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry” (關於加強外商投資房地產業審批備案管理的通知), which provides that, among other things, when a real estate enterprise is established in China with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for speculative purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in real estate development and management.

Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have an adverse effect on our business, financial condition and results of operations.

Risks relating to the Cayman Islands

Legislation enacted in the Cayman Islands as to Economic Substance may affect our operations.

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands, or the ES Act, that came into force on January 1, 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is our company. Based on the current interpretation of the ES Act, we believe that our Company, is a pure equity holding company since it only holds equity participation in other entities and only earns dividends and capital gains.

Accordingly, for so long as our Company is a “pure equity holding company”, it is only subject to the minimum substance requirements, which require us to (i) comply with all applicable filing requirements under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, or the Companies Act; and (ii) has adequate human resources and adequate premises in the Cayman Islands for holding and managing equity participations in other entities.

However, there can be no assurance that we will not be subject to more requirements under the ES Act. Uncertainties over the interpretation and implementation of the ES Act may have an adverse impact on our business and operations.

Risks relating to the British Virgin Islands

Legislation enacted in the British Virgin Islands as to Economic Substance may affect our operations

Pursuant to the Economic Substance (Companies and Limited Partnerships) Act, 2018 of the British Virgin Islands (“BVI ES Act”) that came into force on 1 January 2019, a “legal entity” engaged in “relevant activities” is required to satisfy the economic substance test set out in the BVI ES Act. A “legal entity” includes a business company incorporated in the British Virgin Islands as is our BVI subsidiaries; based on the current interpretation of the BVI ES Act, we believe that our BVI subsidiaries are pure equity holding entities since we only passively hold equity participations and earn revenue from dividends, distributions, capital gains and other incidental income derived from such equity participations.

Accordingly, for so long as our BVI subsidiaries are “pure equity holding entities”, we are only subject to the reduced economic substance requirements, which require us to have adequate employees and premises in the British Virgin Islands for holding and managing our equity participations and to comply with the statutory obligation which we are already required to do under the BVI Business Companies Act.

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China in the early 1990s culminated in an over-supply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC provinces and cities therein have experienced rapid and significant growth. In recent years however, risk of property over-supply is increasing in certain parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of the PRC government policies to curtail the overheating of the property market and slower growth of economy, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions as explained in “—*Risks Relating to Our Business—We may be adversely affected by fluctuations in the global economy and financial markets.*”

The cyclical nature of the property market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sale of properties. This cyclicity, combined with the lead time required for completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment.

From 2004 to the first half of 2008, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector, including:

- limiting monthly mortgage payments to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending or restricting land grants and development approvals for villas and larger sized units;
- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use right grant contract and voiding land use right for land which has not been developed for two years or more;
- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;
- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 consist of units with floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC Government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction (the "70:90 rule");
- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign individuals and institutions; and
- limiting the number of the residential properties that a single household may purchase.

Regional and local governments are responsible for the implementation of the 70:90 rule. We have not, so far, seen this policy being stringently applied across all its applicable regions in China. If for any reason, political, economic, social or otherwise, these regional or local governments begin to stringently implement this policy, this may lead to an oversupply of units with floor area of less than 90 sq.m., increasing competition in this market segment and affecting the prices and profit margins of such type of property. This may also affect our existing and future business development plans. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

Starting from late 2009 until now, the PRC government has adopted a series of new policies to cool down the property market, including, among other things:

- abolishing certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;
- imposing property purchase restrictions on non-local citizens, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers, increasing mortgage interest rates and construction loan interest rates;
- increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases with a minimum lending interest rate of at least 110% of the benchmark rate. Since September 2014, where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its

living conditions, the minimum down payment will be 30% of the property price and the floor mortgage loan interest will be 70% of the benchmark lending interest rate. Since March 2015, where a household that owns a residential property and has not paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the minimum down payment will be 40% of the property price;

- restricting purchasers, in certain targeted cities, from acquiring second (or further) residential properties and restricting non-residents that cannot provide proof of local tax or social security payments for more than a specified time period from purchasing any residential properties. Since September 2014, in cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by the related policies;
- launching new property tax schemes in certain cities such as Shanghai and Chongqing on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. Shanghai and Chongqing municipal governments have also issued provisional measures, respectively, levying property tax on, among other things, a second residential property purchased by individuals who do not have local household registration; and
- urging provincial governments to implement home purchase restrictions to control property prices, and listed certain criteria for the implementation of restrictions, and in the second half of 2011, extending such home purchase restrictions to certain second- and third-tier cities in addition to the 40-plus first- and second-tier cities which have already adopted home purchase restriction measures.

The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, PRC government issued notices in September 2014 and March 2015, which decreased the requirement of the minimum down payment and the floor loan interest rate for a household to buy another residential property to improve its living conditions, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by the related policies. Regulations were promulgated at various levels to promote affordable housing. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. See “Regulation.” We have had to adapt our operations to these austerity measures. We adopted various sales tactics in 2011 to increase sales in different projects, such as offering discounts in property prices. We also adjusted the construction schedules of our projects and made the decision in December 2011 to temporarily suspend land purchases until February 2012.

Furthermore, the governments of Beijing and Guangzhou have adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the presale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the “second generation” personal identification cards for the review of their eligibility to purchase residential properties in Beijing. Many cities in the PRC have already promulgated measures to restrict the number of residential properties a household is allowed to purchase. On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among other things, (i) limitations on the purchase of commodity properties and second-hand properties located within the entire administrative area of a city; (ii) further increase in the down payment ratios and interest rates for loans to purchase

second properties for cities with excessive increase in housing prices; and (iii) implementing a capital gain tax of 20%. On November 15, 2013, the general office of the People's Government of Guangzhou issued the "Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market" (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the increase of low-cost commodity housing supply and controlling of high-end commodity housing supply; (2) limitation on the number of properties a non-local resident families can purchase; and (3) the further increase of minimum down payment for loans to purchase second properties for the Guangzhou Branch of PBOC. Any such measures could have a material adverse effect on our business, financial condition or results of operations. In order to implement the central government's requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. Since June 2014, many cities, including those where our property projects are located, have lifted or eased the limitation on the purchase of commodity properties. In 2015, the Ministry of Finance also expanded a business tax exemption to include sellers who have owned their home for as little as two years, rather than the previous minimum of five years.

Since September 30, 2016, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers. Shanghai recently launched a new campaign to regulate the so-called commercial-title apartments and suspended approval of all new commercial-title apartment applications. The construction and sale of commercial and office projects will also be strictly regulated. Property developers will be required to rectify any unsanctioned modifications to their original designs before the release of the commercial and office projects. We cannot assure you that our projects in Shanghai will not be affected by such new policy.

We cannot assure you that the PRC government will not adopt additional or more stringent policies, regulations and measures in the future. For instance, the PRC government may impose a countywide real estate tax in the future. We are not sure when or whether such tax reforms will be imposed and neither can we assess the adverse impact of such new tax policies on our business operations and financial results. Also, the PRC government have or may impose strict restriction on the sale of the properties, such as limiting the scope of purchasers and limiting the sale price, which have or will have adverse impact on our business. If we fail to adapt our operations to such new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Property development in the PRC is still at an early stage and lacks adequate infrastructural support

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. We cannot predict how much and when demand will develop, as many social, political, economic, legal and other factors may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of an effective liquid secondary market for residential property may discourage investors from acquiring new properties because resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals compounded by the lack of security of legal title and enforceability of property rights may further inhibit demand for residential developments.

In addition, risk of property over-supply is increasing in certain parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, property prices may fall significantly and our revenue and results of operations will be adversely affected.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC as well as government policies could affect our business

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial condition and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. However, since early 2004, the PRC government has from time to time implemented measures to prevent the PRC economy, including the property market, from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of the such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. If China's economic growth decreases or if the PRC economy experiences a recession, the growth in demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected. See "— Risks Relating to Our Business — We may be adversely affected by fluctuations in the global economy and financial markets."

In addition, demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and

- imposition of additional restrictions on currency conversion and remittances abroad.

Governmental control of currency conversion may affect the value of your investment

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all our revenues in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies, including the Notes. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations

SAFE has promulgated several regulations, including the "Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents on Engaging in Financing and Inbound Investment via Overseas Special Purpose Vehicles" (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("Circular No. 75") issued on October 21, 2005, and its implementation rules, or the attachment of Circular No. 59, issued in November 2012, which require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the "Notice regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles" (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("Circular No. 37").

Circular No. 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equities interests legally owned by the PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident. According to the "Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment" (關於進一步簡化和改進直接投資外匯管理政策的通知) issued by SAFE in February 2015, effective from June 1, 2015, the foreign exchange registration as required by Circular No. 37 can be conducted at banks rather than local branches of SAFE (except for supplemental registrations under Circular No. 37). Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, paying dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Our controlling shareholders have completed the registration of their overseas invested companies in accordance with Circular No. 75. Changes in the status of these overseas invested companies would, at the request of the local foreign exchange administration bureau, require further registration of changes in accordance with Circular No. 37. We cannot assure you that such process will be completed in a timely

manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries' ability to distribute dividends or to repay shareholder loans to us.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Further on May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows 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. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the US\$ — RMB exchange rates. On the same day, the daily reference rate for Renminbi against U.S. dollars depreciated by 1.9% to 6.2298 compared with 6.1162 for August 10, 2015. The International Monetary Fund announced on September 30, 2016 that, effective from October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. In addition, because of our substantial indebtedness and other obligations in foreign currencies, any significant fluctuation in the value of the Renminbi may have a material adverse effect on our business condition and results of operations. As of December 31, 2020, we had U.S. dollar-denominated debt totaling US\$3,832.0 million, primarily consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK\$22,381.7 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans.

Uncertainty with respect to the PRC legal system could adversely affect us

As substantially all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. For example, on September 14, 2015, the NDRC issued the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt 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 "NDRC Notice"), which provides that enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments in relation to foreign debt with a maturity of more than one year to the NDRC within ten business days in the PRC after the completion of each issuance. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue notification requirement. We have registered the issuance of the Notes with the NDRC pursuant to the NDRC Notices. Similarly, the legal consequences of non-compliance with the post-issuance reporting requirement under the NDRC is unclear. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. On May 11, 2018, the NDRC and the MOF promulgated the Circular on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risks and Local Debt Risks (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 may further restrict our ability to obtain financing through offshore debt

offerings. Pursuant to a post on NDRC's website on June 27, 2018, proceeds from offshore debt offerings shall mainly be used to repay the issuer's existing debts and may not be used to finance its onshore and offshore real estate project development or as working capital. As it is unclear how the rules and regulations set out in the NDRC Notice may be developed or extended in the future, there is no assurance that the use of proceeds arising from offshore debt issuances by property companies will not be further restricted and the PRC government may impose additional restrictive requirements and/or conditions on the use of such proceeds in the future. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Our primary operating subsidiaries were incorporated in China as "wholly foreign-owned enterprises." Although we or our wholly owned subsidiaries are the sole shareholder of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions.

China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Notes. 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 retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties.

Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Holders of the Notes may experience difficulties in effecting service of legal process and enforcing judgments against us and our management

Substantially all of our operating subsidiaries are incorporated under PRC laws, and substantially all of our assets are located in China. In addition, most of our directors and officers reside within China, and substantially all of their assets are located within China. As a result, it may not be possible to effect service of process outside of China upon most of our directors or officers. Moreover, our PRC counsel has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in civil and commercial cases with the United States, the United Kingdom, Japan or most other Western Countries. Therefore, it may be difficult for you to enforce against us or our directors or officers in China any judgments obtained from non-PRC courts.

Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("SARS"), the Ebola virus or, most recently, the novel coronavirus temporarily named COVID-19 by the World Health Organization and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the

PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. In addition, past occurrences of pandemics or epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. The PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China. A recurrence of SARS or an outbreak of a health epidemic or contagious disease, including, for example, the ongoing COVID-19 pandemic, could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business, results of operations and financial condition.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees and our markets, any of which could materially impact our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that currently we cannot predict.

RISKS RELATING TO THE NOTES

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries, joint ventures and associated companies. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by certain other Non-Guarantor Subsidiaries. Under the terms of the Indenture, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, joint ventures and associated companies, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries and may be held by JV Subsidiary Guarantors or New Non-Guarantor Restricted Subsidiaries in the future. In addition, our subsidiaries that hold our major project in Hainan Province, Hainan Clearwater Bay, will not guarantee the Notes and their shares will not be pledged for the benefit of the holders of the Notes. The Subsidiary Guarantors do not and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries, joint ventures and associated companies.

Creditors, including trade creditors of our PRC subsidiaries and other Non-Guarantor Subsidiaries any holders of preferred shares in such entities, would have a claim on such entities' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, joint ventures and associated companies, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our subsidiaries, joint ventures and associated companies will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2020, our Non-Guarantor Subsidiaries had outstanding indebtedness, including both current and non-current borrowings, in the amount of RMB58,002.0 million (US\$8,889.2 million) and capital commitment and contingent liabilities arising from guarantees of RMB91,662.2 million (US\$14,047.8 million). The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to, or a purchase from, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt and other obligations

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of December 31, 2020, our total indebtedness outstanding, including both current and non-current borrowings, amounted to RMB97,812.8 million (US\$14,990.5 million). Our amounts due to related parties as of December 31, 2020 was RMB12,914.8 million (US\$1,979.3 million). Since December 31, 2020, our total indebtedness has further increased as we have entered into additional financial arrangements to finance our property development and for general corporate purposes. See “Recent Developments” and “Description of Other Material Indebtedness” for further details.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other obligations;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated EBITDA includes our unrealized gains on valuation adjustments on our investment properties and embedded financial derivatives, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenant could be substantially larger when compared to other similarly situated PRC-based issuers of high-yield bonds whose covenant does not typically include unrealized gains in the calculation of their respective Consolidated EBITDA. In addition, because our definition of Consolidated Interest Expense for the Notes excludes the interest expense on indebtedness of third parties that we guarantee except to the extent that such interest expense has become payable by us as well as distributions on perpetual securities obligations, our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of Consolidated Interest Expense. Similarly, we have carve outs under the definition of Consolidated Interest Expense relating to certain lease liabilities and interest expense from pre-sale receipts, which would lower our Consolidated Fixed Charges and increase our ability to incur additional debt. In addition, restrictions on Indebtedness and

Investments under the Indenture also do not cover perpetual securities obligations. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt and other obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt and other obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. For 2018 and 2020, we recorded net cash flows generated from operating activities of RMB2,627.6 million and RMB3,307.3 million (US\$506.9 million). For 2019, we recorded net cash flows used in operating activities of RMB14,551.3 million. Our business may be exposed to unpredictable and unstable operating cash flows in the future. If we are unable to service our indebtedness and satisfy our other obligations, including our obligations under the Notes, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the indentures governing the Notes, the Existing Notes and the terms of other financing agreements prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratios requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See “Description of Other Material Indebtedness.” Such restrictions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Moreover, the distributions the Perpetual Securities are not accounted for as interest expenses under HKFRS and we therefore do not include such distributions when calculating the Fixed Charge Coverage Ratio under our bank facilities and senior notes, including the Notes. In addition, because the Perpetual Securities are not Capital Stock, we do not treat distributions on the Perpetual Securities as Restricted Payments under our senior notes, including the Notes. We might in certain circumstances be able to make distributions on the Perpetual Securities that we would not otherwise be entitled to under the covenants governing our bank facilities and senior notes, including the Notes, if the distributions were treated as an interest expense or a Restricted Payment. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other indebtedness.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to pay dividends to our shareholders and to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Currently, a number of our major operating subsidiaries in the PRC are subject to restrictions on making dividends under their debt instruments, to the effect that this could impact such major subsidiaries to pay their dividends to us, which may impact our ability to service our debt at the holding company level, including the Notes. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes or pay dividends to our shareholders. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain

reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends only after they have completed the project development and the construction of at least a phase or a building and the related revenue recognition as well as the required government tax clearance and foreign exchange procedures. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless (i) the dividends will be used for onshore investment directly; or (ii) there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5% subject to approval by relevant PRC tax authorities, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loans to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such an event, the market interest rates that our PRC subsidiaries will pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans payable by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures and also give us enhanced flexibility to pay dividends and repurchase our shares

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other property developers and business partners. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest, such as the Guangzhou Asian Games City Project and the Tianjin Jinnan New City) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. In particular, under the Indenture, we are not required to satisfy the Fixed Charge Coverage Ratio for making investments in minority joint ventures up to 30% of the Total Assets. See clause (16) in the definition of “Permitted Investment” in “Description of the Notes—Definitions” and “—Certain Covenants—Limitation on Restricted Payments.” In addition, we are not required to satisfy the Fixed Charge Coverage Ratio for any restricted payment consisting solely of the declaration or payment of dividends in cash on our Common Stock or the repurchase of our Common Stock up to a certain limit. See “Limitation on Restricted Payments” and the definition of “Permitted Investment” in “Description of the Notes.”

The terms of the Notes permit us to buy out minority interests in certain non-wholly owned Restricted Subsidiaries, and such purchases will not constitute Restricted Payments.

The Indenture governing the Notes permit us to redeem, repurchase or otherwise acquire minority interests in our Restricted Subsidiaries held by Independent Third Parties and such purchases will not constitute Restricted Payments, subject to certain conditions. See “Description of the Notes—Certain Covenants—Limitation on Restricted Payments.” Even though such transactions would potentially

increase our ownership interests in the relevant Restricted Subsidiary, we may pay substantial amounts of consideration in these transactions, whether in cash or other assets, which may adversely impact our business, results of operations and financial condition.

The terms of the Notes permit us to designate any Non-Core Entity as an Unrestricted Subsidiary in connection with any Qualified Spin-off IPO, and investments we retain in such Unrestricted Subsidiaries will not constitute Restricted Payments upon such designation.

We may enter new businesses with a view to establishing alternative revenue sources and diversifying our business. We may spin off such new businesses in the future as we desire. Subject to certain restrictions, in connection with a spin-off listing of Non-Core Entities that are engaged in businesses other than our core real estate development business, the terms of the Notes permit us to designate any such Non-Core Entity as an Unrestricted Subsidiary, and any interests we retain in such Non-Core Entities will not constitute Restricted Payments upon such designation. See “Description of the Notes—Certain Covenants—Limitation on Restricted Payments” and the definition of “Permitted Investment.” We currently do not have any plan for such spin-off listing and do not expect to make such designations. The effects of any such designation, if applicable, include, but are not limited to, that:

- any entity so designated as an Unrestricted Subsidiary will no longer be subject to the covenants under the Indenture governing the Notes;
- the Subsidiary Guarantees of any entity so designated as an Unrestricted Subsidiary may be released, and the shares of such entity previously pledged to the collateral agent or the trustee for the benefit of the holders of the Notes may be released; and
- interest expenses on Indebtedness of any entity so designated as an Unrestricted Subsidiary will not be included in the calculation of our Consolidated Interest Expense, other than such interest expenses on Indebtedness that is Guaranteed by the Company or a Restricted Subsidiary.

In addition, the terms of the Notes provide us with additional flexibility to distribute the shares of such Non-Core Entities in connection of such spin-off without having such distribution constituting a Restricted Payment. See “Description of the Notes—Certain Covenants—Limitation on Restricted Payments.”

The terms of the Notes permit us to engage in businesses that may not be related to our core real estate business.

Under the terms of the Notes, we are not subject to the restrictions related to “permitted business” and we are not restricted from expanding into businesses that we are not currently engaged in. Without such restrictions, we will, among other things, (i) be able to invest in and make payments to entities and businesses not in the real estate industry through Permitted Investment, and (ii) have additional flexibility to incur indebtedness, as “purchase money indebtedness” will no longer be subject to the condition that the indebtedness is incurred to acquire assets used in certain permitted businesses. Such changes may result in a higher indebtedness level, and additional cash outflow.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest, or even principal, under the Notes

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules 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 or filings with the relevant PRC authorities. In addition, the “Notice on Further Strengthening the Regulation on Approval and Supervision of Foreign Direct Investment in Real Estate Industry in the PRC” (關於進一步加強規範外商直接投資房地產業審批和監管的通知) jointly issued by MOFCOM and SAFE on May 23, 2007, and the “Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈〈外債登記管理辦法〉的通知) issued by SAFE on April 28, 2013, which became effective on May 13, 2013 and contains an appendix named the “Operating Guidelines for Foreign Debt Registration Administration” (外債登記管理操作指引) indicate that SAFE would not process any foreign debt registration or settlement of foreign exchange for foreign debt for

foreign-invested enterprises in the real estate industry that was approved by the local office of MOFCOM and registered with MOFCOM after June 1, 2007. Foreign-invested enterprises include joint ventures and wholly foreign owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China practicably may only be transferred to our PRC subsidiaries as equity investments. Any transfer of the proceeds to our PRC subsidiaries in the form of loans will be subject to the restrictions on foreign invested real estate enterprises as imposed by the foreign debt registration rules. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes or on a redemption date or the maturity date to pay the principal of the outstanding Notes.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from or filings with the commerce department of the local government, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts 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) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. We cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment in the Notes.

The Notes are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and is denominated in Renminbi. The exchange rates between the Renminbi and foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. The Renminbi depreciated against the U.S. dollar by 2.43% in 2014, while in general it appreciated against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. There remains significant international pressure on the PRC government to adopt a more flexible currency policy and the PBOC have previously announced its intention to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currency.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented, it is possible that they may result in a devaluation of the Renminbi against the U.S. dollar or other foreign currencies, in which case our financial condition and results of operations could be adversely affected because of our substantial foreign-currency-denominated indebtedness and other obligations. As of December 31, 2020, we had U.S. dollar-denominated debt totaling US\$3,832.0 million, consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK\$22,381.7 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans. See "Description of Other Material Indebtedness." Such devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

Since early 2016, we have adopted a hedging policy and entered into capped forward contracts to mitigate certain of our foreign currency exposure in United States dollars and Hong Kong dollars denominated indebtedness and achieve better management over foreign exchange risk. The objective of the arrangement is to minimize the volatility of the RMB cost of highly probable forecast repayments of debts. Other than those disclosed, we do not have any material exposures to foreign exchange fluctuations. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements with respect to our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their respective affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the Indenture governing the Notes. If we were unable to provide such collateral, it could constitute a default under such agreements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

We may not be able to repurchase the Notes upon a Change of Control

We must offer to purchase the Notes and the Existing Notes upon the occurrence of a change of control, at a certain purchase price plus accrued and unpaid interest. For the Perpetual Securities, we have the option to redeem the securities upon the occurrence of a change of control. See the sections entitled “Description of the Notes” and “Description of Other Material Indebtedness.” Under the the Perpetual Securities, if we elect not to redeem, the applicable distribution rate will increase by 5% per annum with effect from the next distribution payment date.

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control to make purchases of outstanding Notes and the Existing Notes would constitute an Event of Default under the Notes, and the Existing Notes, as the case may be. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control for purposes of the Indenture governing the Notes does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control for purposes of the Indenture governing the Notes also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes, and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

We may be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC resident enterprise

In the event we are treated as a PRC resident enterprise under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a

holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the Notes—Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change or interpretation or the stating of an official position that results in us being required to withhold tax on interest payments as a result of us being treated as a PRC resident enterprise, we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The Notes are subject to optional redemption by us

As set forth in “Description of the Notes—Optional Redemption”, the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we 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.

We may redeem the Notes when the cost of borrowing is lower than the interest rate on the Notes. In such case, 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. It may therefore cause a negative financial impact on the holders of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

The insolvency laws of the British Virgin Islands, the Cayman Islands and PRC and other local insolvency laws applicable to us may differ from those of any other jurisdiction with which holders of the Notes are familiar

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. In addition, the Subsidiary Guarantors are incorporated in the British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of the United States or bankruptcy laws in other jurisdictions with which the holders of the Notes are familiar. We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. We and our non-PRC subsidiaries, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Notes are familiar. You should carefully analyze the risks and uncertainties in the insolvency laws of the Cayman Islands, the British Virgin Islands, Hong Kong, the PRC and other jurisdictions applicable to us before you invest in the Notes.

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized 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 shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our debt obligations including the Notes.

If we are unable to comply with the restrictions and covenants in our debt agreements, the indentures governing the Existing Notes or the Indenture governing the Notes, there could be a default under the terms of these agreements, which could cause the acceleration of the repayment of our indebtedness

If we are unable to comply with the restrictions and covenants in the Indenture governing the Notes, or our current or future debt obligations and other agreements (including the indentures governing the Existing Notes and various credit facility agreements), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture governing the Notes, the Existing Notes and various credit facility agreements, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of other debt or result in a default under our other debt agreements, including the Notes, Existing Notes and various credit facility agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of our debt arrangements, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

Our debt documents include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of us and our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of our Restricted Subsidiaries;
- guarantee indebtedness of our Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

A trading market for the Notes may not develop, and there are restrictions on resale of the Notes

The Notes are new issues of securities for which there is currently no trading market. Although application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing of the Notes on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may

discontinue such market making activity at any time without notice. The Initial Purchasers may subsequently elect to sell any Notes purchased by it at varying prices which may differ from the issue price of the Notes as set forth in this Offering Memorandum. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. We cannot predict whether an active trading market for the Notes will develop or be sustained.

The rating assigned to the Notes may be lowered or withdrawn in the future

We expect the Notes to be rated BB– by Standard and Poor’s Ratings Services (“S&P”). The rating addresses our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned corporate family ratings of “Ba2 Stable” by Moody’s and “BB Stable” by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute “connected transactions” under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) will not be subject to the “Limitation on Transactions with Shareholders and Affiliates” covenant

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with the Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a “connected person” of such listed company, on the other hand, is a “connected transaction” that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of “connected person” to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of “connected person” also captures “associates,” which include, among others, (a) any subsidiary of such “connected person,” (b) any holding company of such “connected person” and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules are subject to the independent shareholders’ requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers’ certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions. In addition, we will also not be required to deliver officers’ certificates or any fairness opinions for certain Affiliate Transactions which are connected transactions that are conducted in compliance with the relevant Listing Rules.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry, general economic conditions nationally or internationally and any material adverse change in our business, financial condition and results of operations could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our respective advisors

Facts and statistics in this offering memorandum relating to China's economy and the real estate industry are derived from publicly available and third-party professional sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from GAAP in other jurisdictions, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAP and how those differences might affect the financial information contained in this offering memorandum.

RISKS RELATING TO THE SUBSIDIARY GUARANTEES, THE JV SUBSIDIARY GUARANTEES AND THE COLLATERAL

The Notes will be subordinated to the existing Permitted Pari Passu Secured Indebtedness to the extent of the costs and expenses of the Sub-Collateral Agent

On the original issue date of the Notes, the Company, the Subsidiary Guarantor Pledgors, the Trustee and the Sub-Collateral Agent will enter into the Sub-Collateral Agent Appointment Agreement pursuant to which the Trustee and future holders of Permitted Pari Passu Secured Indebtedness will agree to share the Collateral on a *pari passu* basis. Under the terms of the Intercreditor Agreement dated November 12, 2009 (as amended, supplemented or modified through the date of this offering memorandum), after the costs and expense of the Collateral Agent and the agent or trustee of the Permitted Pari Passu Secured Indebtedness and other administrative expenses have been paid, any proceeds of the Collateral will be shared on a *pro rata* basis among all debt that has the benefit of the Collateral. However, under the terms of the Sub-Collateral Agent Appointment Agreement, the costs and expenses of the Sub-Collateral Agent not otherwise paid under the Intercreditor Agreement shall be paid before such proceeds will be shared on a *pro rata* basis between the Notes and the future holders of Permitted Pari Passu Secured Indebtedness. As a result, the Notes and future Permitted Pari Passu Secured Indebtedness will be subordinated to the existing Permitted Pari Passu Secured Indebtedness to the extent of the costs and expenses of the Sub-Collateral Agent.

Our initial Subsidiary Guarantors do not currently have significant operations

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC, that are not permitted by applicable law or regulation to guarantee the Notes (the "Exempted Subsidiaries") or that are listed on certain qualified stock exchanges (the "Listed Subsidiaries"), will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain other Non-Guarantor Subsidiaries and under the terms of the Indenture Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries are permitted to not guarantee the Notes and have their capital stock pledged to secure the Notes, if the consolidated assets of all these offshore subsidiaries (other than the Crown Golden Group, the Exempted Subsidiaries and the Listed Subsidiaries) do not exceed 30% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such Non-Guarantor Subsidiaries. In addition, certain of our subsidiaries holding our major project in Hainan Province,

Hainan Clearwater Bay, and other subsidiaries, including certain subsidiaries responsible for property management and marketing and certain dormant companies, will not provide Subsidiary Guarantees upon issuance of the Notes and as a result, the Notes will be effectively subordinated to all the debt and other obligations of these subsidiaries. See “Description of the Notes — The Subsidiary Guarantees and the JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future PRC subsidiaries and Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues more than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than the Crown Golden Group, the Exempted Subsidiaries and the Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 30% of our total assets.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to, or purchase from, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. See “— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the British Virgin Islands, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

For Subsidiary Guarantors incorporated in other jurisdictions:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor’s insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor’s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

For Subsidiary Guarantors incorporated in the British Virgin Islands:

- (i) incurred the debt with the intent to defraud creditors (whenever the transaction took place, and irrespective of insolvency);

- (ii) put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- (iii) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor;
- (iv) in the case of (ii) and (iii), a guarantee will be only be voidable if it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvent in this context under BVI law means that the guarantor is unable to pay its debts as they fall due. Additionally, a guarantee will only be vulnerable if is given within the six month period preceding the commencement of liquidation, or, if the guarantee and beneficiary are connected entities, two years. Further, a guarantor would be considered insolvent if it fails to comply with the requirements of a statutory demand that has not been set aside or it fails to satisfy a judgment, order or decree of the court in favour of a creditor upon execution of the same.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debt as it became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantors (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantors (if any) without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantors (if any), voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a Subsidiary Guarantee, subordinated such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or held the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor, and would solely be creditors of us and any Subsidiary Guarantor or JV Subsidiary Guarantors whose guarantee was not voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

All of the Collateral may be released in the future

Under the terms of the Notes, if certain circumstances are met even when the Notes are outstanding, all of the Collateral may be released simultaneously with respect to all debt that is secured by the Collateral at such time. See "Description of the Notes — Security". Holders of the Notes should note that the Notes may become unsecured in the future.

The pledge of certain Collateral may in some circumstances be voidable

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors or where applicable, certain JV Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under "— The

Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.”

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness. The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors and may in the future include our proportional interest in certain JV Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Trustee, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By their nature, some or all of the Collateral, in particular, the capital stock of the existing or any future Subsidiary Guarantors or where applicable, certain future JV Subsidiary Guarantors, may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement by the holders of the Notes, the holders of our high-yield notes and bank lenders and may be shared on a *pari passu* basis with holders of other permitted indebtedness ranking *pari passu* with the Notes that we may issue in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

The pledge of certain Collateral may be released under certain circumstances

If we dispose of not less than 20% of the shares of a Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the Collateral comprising the shares of these companies, may be released if the consolidated assets of our non-PRC subsidiaries (other than the Crown Golden Group, the Exempted Subsidiaries and the Listed Subsidiaries) that do not guarantee the Notes do not account for more than 30% of our total assets immediately following such release.

Moreover, in the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

The Intercreditor Agreement may impact our ability and the ability of the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and may limit the rights of holders of the Notes to the Collateral

Under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement, upon the occurrence of an event of default under the respective debt instruments (including the Existing Notes or other permitted *pari passu* secured indebtedness), the relevant secured party may take action to enforce the Collateral. Any such enforcement action will adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Collateral Agent and the Sub-Collateral Agent, pursuant to the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, the security documents relating to the Collateral and underlying indentures or finance documents, have duties with respect to the Collateral pledged, assigned or granted. Under certain circumstances, such duties may conflict with the interests of the holders of the Notes and other secured parties.

In addition, the Collateral Agent and the Sub-Collateral Agent, acting in their capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, and the Security Documents as are set forth in the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement and as trustee and agent in respect of other obligations including the Notes and the Existing Notes. Under certain circumstances, the Collateral Agent and the Sub-Collateral Agent may have obligations under the respective security documents or the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, and the underlying indentures or finance documents that are in conflict with the interests of the holders of the Notes, the holders of the Existing Notes or the holders of other permitted *pari passu* secured indebtedness. The Collateral Agent and the Sub-Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, or any of the security documents relating to the Collateral for the benefit of the holders of the Notes or the holders of the Existing Notes, unless such holders have offered to the Collateral Agent and the Sub-Collateral Agent indemnity and/or security and/or pre-funding satisfactory to the Collateral Agent and the Sub-Collateral Agent against any loss, liability, cost or expenses.

If an Event of Default occurs under the Notes, the Existing Notes or other permitted *pari passu* secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, take such action pursuant to the terms of the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, and their security documents. Such action may be adverse to holders of the Notes. In that event, the holders of the Notes would retain only the remedy to sue for payment on the Notes and the Subsidiary Guarantees.

Further, the Collateral has already been granted in favor of the trustees for the Existing Notes and lenders of various credit facilities and term loans (or their agents or representatives). Although pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement the Collateral will be shared on a *pari passu* basis among holders of the Notes, the Existing Notes and lenders of various credit facilities and term loans and other permitted *pari passu* secured indebtedness, under Hong Kong and BVI laws, the security interests that have been granted to the trustees for the Existing Notes and lenders of various credit facilities and term loans (or their agents or representatives) do have legal priority over the Collateral, varied only by contractual arrangements under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. If the Hong Kong courts or the BVI courts do not recognize the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement or if the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement has become invalid or void, the security interests held by the Trustee (for the benefit of the holders of the Notes) over the Collateral will rank behind the security interests over the Collateral held by other secured parties to which the Collateral was granted prior to the issuance of the Notes.

USE OF PROCEEDS

We intend to use the net proceeds from this offering, after deducting commissions and other expenses payable in connection with this offering, for the refinancing of certain existing medium to long term offshore indebtedness which will become due within one year.

Subject to compliance with applicable laws and regulations, we may adjust the foregoing plans in response to changing market conditions and circumstances and, thus, reallocate the use of the net proceeds.

EXCHANGE RATE INFORMATION

PRC

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 July 20, 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 SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows 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. The floating band was further widened to 1.0% on April 16, 2012. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. The PRC government in the future may make further adjustments to the exchange rate system. 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 working day, and makes it the central parity rate for the trading against the Renminbi on the following working day.

Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. 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 working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. 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 the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
October	6.6919	6.7254	6.7898	6.6503
November	6.5760	6.6029	6.6899	6.5556
December	6.5250	6.5393	6.5705	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710

Source: Federal Reserve H.10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

HONG KONG

The H.K. dollar is freely convertible into the U.S. dollar. Since 1983, the H.K. dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the H.K. 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 system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the H.K. dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the H.K. dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK\$7.80 to US\$1.00, or at any exchange rate.

The following table sets forth the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

Noon Buying Rate

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(HK per US\$1.00)		
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020				
October	7.7548	7.7503	7.7548	7.7498
November	7.7522	7.7526	7.7552	7.7505
December	7.7534	7.7519	7.7539	7.7505
2021				
January	7.7531	7.7533	7.7555	7.7517
February	7.7567	7.7529	7.7567	7.7515
March	7.7746	7.7651	7.7746	7.7562
April (through April 2, 2021)	7.7759	7.7762	7.7764	7.7759

Source: Federal Reserve H.10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALIZATION

The following table sets forth on an actual basis our capitalization and indebtedness as of December 31, 2020, and as adjusted to give effect to the gross proceeds from the issuance of the Notes, before deducting commissions and other estimated expenses payable in connection with this offering. Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since December 31, 2020.

	As of December 31, 2020			
	Actual		Adjusted	
	RMB	US\$ (unaudited) (in thousands)	RMB (unaudited)	US\$ (unaudited)
Cash and cash equivalents⁽¹⁾	<u>41,925,908</u>	<u>6,425,427</u>	<u>43,872,877</u>	<u>6,723,813</u>
Short-term borrowings⁽²⁾⁽³⁾				
Current portion of non-current borrowings .	30,313,830	4,645,798	30,313,830	4,645,798
Other borrowings				
— secured	3,129,000	479,540	3,129,000	479,540
— unsecured	2,285,924	350,333	2,285,924	350,333
Short-term bank borrowings				
— secured	591,905	90,713	591,905	90,713
— unsecured	<u>2,248,359</u>	<u>344,576</u>	<u>2,248,359</u>	<u>344,576</u>
Total short-term borrowings	<u>38,569,018</u>	<u>5,910,961</u>	<u>38,569,018</u>	<u>5,910,961</u>
Long-term borrowings⁽³⁾⁽⁴⁾⁽⁵⁾				
2017 Notes	1,296,740	198,734	1,296,740	198,734
2018 Notes	3,907,389	598,834	3,907,389	598,834
2019 Notes	3,249,826	498,058	3,249,826	498,058
2020 Notes	6,376,999	977,318	6,376,999	977,318
Notes to be issued ⁽⁷⁾	—	—	1,946,969	298,386
PRC corporate bonds	7,593,944	1,163,823	7,593,944	1,163,823
Asset-backed securities	1,154,394	176,919	1,154,394	176,919
Commercial Mortgage backed Securities . .	4,094,763	627,550	4,094,763	627,550
Other borrowings				
— secured	8,153,706	1,249,610	8,153,706	1,249,610
— unsecured	1,720,885	263,737	1,720,885	263,737
Long-term syndicated loans				
— secured	14,882,424	2,280,831	14,882,424	2,280,831
— unsecured	1,155,245	177,049	1,155,245	177,049
Long-term bank borrowings				
— secured	27,043,308	4,144,568	27,043,308	4,144,568
— unsecured	8,927,955	1,368,269	8,927,955	1,368,269
Less: Current portion of non-current borrowings	<u>(30,313,830)</u>	<u>(4,645,798)</u>	<u>(30,313,830)</u>	<u>(4,645,798)</u>
Total long-term borrowings	<u>59,243,748</u>	<u>9,079,502</u>	<u>61,190,717</u>	<u>9,377,888</u>
Capital and reserves				
Total capital and reserve attributable to our shareholders	<u>50,815,628</u>	<u>7,787,836</u>	<u>50,815,628</u>	<u>7,787,836</u>
Perpetual capital securities	<u>13,637,493</u>	<u>2,090,037</u>	<u>13,637,493</u>	<u>2,090,037</u>
Total capitalization ⁽⁶⁾	<u>123,696,869</u>	<u>18,957,375</u>	<u>125,643,838</u>	<u>19,255,761</u>

Notes:

- (1) Cash and cash equivalents exclude restricted cash of RMB8,938.8 million (US\$1,369.9 million) as of December 31, 2020. Restricted cash consists principally of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.
- (2) Short-term borrowings include the current portion of long-term borrowings.
- (3) As of December 31, 2020, RMB53,253.9 million (US\$8,161.5 million) of our long-term and short-term borrowings had been incurred by our PRC subsidiaries.
- (4) As of December 31, 2020, our consolidated capital commitments were RMB32,387.3 million (US\$4,963.6 million) and our contingent liabilities amounted to approximately RMB59,274.9 million (US\$9,084.3 million). See “Management’s Discussion and Analysis of Financial Conditions and Results of operations—Liquidity and Capital Resources—Contractual Obligations” and “—Contingent Liabilities.”
- (5) Long-term borrowings exclude the current portion of long-term borrowings.
- (6) Total capitalization includes total long-term borrowings plus total capital and reserves attributable to our shareholders and perpetual capital securities.
- (7) In accordance with HKFRS, the Notes should be recorded at their fair value net of transaction costs incurred upon initial recognition, which may be substantially different from the amount of the Notes presented. For illustrative purposes only, the Notes have been recorded at their aggregate principal amount at the issue price, before deducting the commissions and other estimated expenses payable in connection with this offering, in the “Adjusted” column of the table above.
- (8) As of December 31, 2020, the Existing Notes (excluding the July 2020 Notes and the October 2020 Notes) and the unsecured borrowings were jointly guaranteed by certain of our subsidiaries.

We have, since December 31, 2020, in the ordinary course of business, entered into additional financial arrangements to finance our property development and for general corporate purposes, which are not reflected in the table above. We will continue to enter into short-term and long-term borrowings and other financing arrangements in the ordinary course of business, including construction and project loans and issuing debt securities and perpetual securities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Borrowings” and “Description of Other Material Indebtedness.”

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected financial data as of and for each of the fiscal years ended December 31, 2018, 2019 and 2020 (except for EBITDA data and amounts presented in U.S. dollars), are derived from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020. The selected financial data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the audited consolidated financial statements, and the notes to those statements and information included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

With effect from January 1, 2018, we adopted HKFRS 9 and HKFRS 15 under which we are required to reclassify and adjust certain of our financial line items in our financial statements. Please refer to Note 2.2 of our audited consolidated financial statements as of and for the year ended December 31, 2018 for a discussion on the effects of the adoption of HKFRS 9 and HKFRS 15.

With effect from January 1, 2019, we adopted HKFRS 16 under which we are required to adjust certain amounts recognized in our financial statements. Please refer to Note 2.2 of our audited consolidated financial statements for the year ended December 31, 2019 for a discussion on the effects of the adoption of HKFRS 16. We adopted HKFRS 16 from January 1, 2019, without requiring any restatement of the corresponding figures of the prior period before January 1, 2019 as permitted under the specific transitional provisions in the standard. Our audited consolidated financial statements as of and for the years ended December 31, 2018 may not be directly comparable against our audited consolidated financial statements on or after January 1, 2019, including our audited consolidated financial statements for each of the year ended December 31, 2019 and 2020. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2019 against our consolidated financial figures prior to January 1, 2019 and when evaluating our financial position and results of operations.

SELECTED CONSOLIDATED INCOME STATEMENT INFORMATION

	Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$ (unaudited)
	(in thousands, except percentages)			
Revenue	56,144,926	60,239,097	80,245,252	12,298,123
Cost of sales	(31,471,009)	(41,881,111)	(56,142,868)	(8,604,271)
Gross profit	24,673,917	18,357,986	24,102,384	3,693,852
Selling and marketing costs	(2,318,044)	(2,026,178)	(2,384,710)	(365,473)
Administrative expenses	(2,909,554)	(3,998,883)	(5,234,723)	(802,256)
Net impairment (losses)/reversal on financial and contract assets	(97,250)	(149,574)	(566,679)	(86,847)
Other gains/(losses), net	1,986,253	4,802,164	3,740,426	573,245
Other income	1,040,034	1,282,537	1,669,854	255,916
Other expenses	(257,002)	(228,300)	(400,044)	(61,309)
Operating profit	22,118,354	18,039,752	20,926,508	3,207,128
Finance costs, net	(2,744,353)	(2,529,824)	(1,042,210)	(159,726)
Share of post-tax profits of investments accounted for using the equity method	27,098	1,086,246	1,585,630	243,008
Profit before income tax	19,401,099	16,596,174	21,471,928	3,290,717
Income tax expenses	(11,043,282)	(7,362,928)	(9,223,051)	(1,413,494)
Profit for the year/period	<u>8,357,817</u>	<u>9,233,246</u>	<u>12,248,877</u>	<u>1,877,223</u>
Profit attributable to:				
Shareholders of the Company	7,125,007	7,511,794	9,474,597	1,452,046
Holders of perpetual capital securities	676,906	850,225	1,083,780	166,097
Non-controlling interests	555,904	871,227	1,690,500	259,080
	<u>8,357,817</u>	<u>9,233,246</u>	<u>12,248,877</u>	<u>1,877,223</u>
Dividends	<u>1,658,443</u>	<u>3,772,477</u>	<u>3,132,664</u>	<u>480,102</u>
OTHER FINANCIAL DATA				
EBITDA ⁽¹⁾	23,035,519	22,438,005	27,114,612	4,155,496
EBITDA Margin ⁽²⁾	41.0%	37.2%	33.8%	33.8%

Notes:

- (1) The calculation of earnings before interest, taxation, depreciation and amortization (EBITDA) excluded fair value gains on investment properties. EBITDA is not a standard measure under HKFRS. 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 our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses. In evaluating EBITDA, we believe 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. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our 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 our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year/period under HKFRS to our definition of EBITDA.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

SELECTED CONSOLIDATED BALANCE SHEET INFORMATION

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$ (unaudited)
	(in thousands, except percentages)			
ASSETS				
Non-current assets				
Property, plant and equipment	8,753,527	11,701,956	12,080,847	1,851,471
Prepayments for acquisition of land use rights	2,039,236	—	34,285	5,254
Properties under development	16,936,396	31,742,993	30,973,623	4,746,915
Intangible assets	258,990	1,578,192	3,576,350	548,100
Investment properties	8,804,220	8,495,950	10,849,449	1,662,751
Goodwill	1,841,613	3,897,055	4,264,614	653,581
Investments accounted for using the equity method	10,088,353	14,711,189	18,179,155	2,786,077
Trade and other receivables	12,510,503	5,182,026	7,508,793	1,150,773
Right of use assets	—	3,077,209	3,376,304	517,441
Financial assets at fair value through other comprehensive income	—	262,036	510,639	78,259
Deferred income tax assets	1,433,982	1,350,770	1,392,281	213,376
Prepayments for acquisition of equity interests	870,856	468,000	523,321	80,202
	<u>63,537,676</u>	<u>82,467,376</u>	<u>93,269,661</u>	<u>14,294,201</u>
Current assets				
Properties under development	73,584,977	79,622,115	82,148,512	12,589,810
Completed properties held for sale	8,446,700	13,447,730	19,092,671	2,926,080
Inventories	46,467	343,029	248,325	38,057
Prepayments for acquisition of land use rights	5,187,072	10,669,360	8,311,775	1,273,835
Trade and other receivables	27,735,425	35,360,168	50,021,335	7,666,105
Prepaid income taxes	3,165,117	6,077,471	5,355,663	820,791
Financial assets at fair value through profit and loss	3,232,031	1,008,031	1,247,819	191,237
Restricted cash	9,285,376	9,003,578	8,938,792	1,369,930
Assets held for sale	—	302,108	—	—
Cash and cash equivalents	35,776,231	33,551,303	41,925,908	6,425,427
Contract assets	448,715	1,379,556	3,204,597	491,126
	<u>166,908,111</u>	<u>190,764,449</u>	<u>220,495,397</u>	<u>33,792,398</u>
Total assets	<u>230,445,787</u>	<u>273,231,825</u>	<u>313,765,058</u>	<u>48,086,599</u>
EQUITY				
Capital and reserves attributable to the shareholders of the Company				
Share capital and premium	3,421,883	3,421,883	3,421,883	524,427
Shares held for Share Award Scheme	(156,588)	(156,588)	(156,588)	(23,998)
Other reserves	2,604,982	2,931,267	3,416,513	523,604
Retained earnings	35,368,931	38,277,061	44,133,820	6,763,804
	<u>41,239,208</u>	<u>44,473,623</u>	<u>50,815,628</u>	<u>7,787,836</u>
Perpetual capital securities	8,334,875	13,566,867	13,637,493	2,090,037
Non-controlling interests	5,406,850	7,295,986	12,516,601	1,918,253
Total equity	<u>54,980,933</u>	<u>65,336,476</u>	<u>76,969,722</u>	<u>11,796,126</u>
LIABILITIES				
Non-current liabilities				
Borrowings	53,196,485	54,372,620	59,243,748	9,079,502
Trade and other payables	—	2,201,976	4,284,452	656,621
Deferred income tax liabilities	1,884,085	3,179,780	4,087,131	626,380
Financial liabilities at fair value through profit or loss	6,144	83,092	101,235	15,515
Lease liabilities	—	390,326	392,927	60,219
	<u>55,086,714</u>	<u>60,227,794</u>	<u>68,184,764</u>	<u>10,449,772</u>
Current liabilities				
Borrowings	35,332,872	42,297,082	38,569,018	5,910,961
Trade and other payables	42,533,971	53,917,720	75,229,690	11,529,454
Current income tax liabilities	17,014,547	17,562,708	17,257,347	2,644,804
Financial liabilities at fair value through profit or loss	7,192	53,684	1,004,423	153,935
Contract liabilities	25,489,558	33,653,950	36,306,083	5,564,151
Lease liabilities	—	182,411	244,011	37,396
	<u>120,378,140</u>	<u>147,667,555</u>	<u>168,610,572</u>	<u>25,840,701</u>
Total liabilities	<u>175,464,854</u>	<u>207,895,349</u>	<u>236,795,336</u>	<u>36,290,473</u>
Total equity and liabilities	<u>230,445,787</u>	<u>273,231,825</u>	<u>313,765,058</u>	<u>48,086,599</u>
Net current assets	<u>46,529,971</u>	<u>43,096,894</u>	<u>51,884,825</u>	<u>7,951,697</u>
Total assets less current liabilities	<u>110,067,647</u>	<u>125,564,270</u>	<u>145,154,486</u>	<u>22,245,898</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with “Selected Consolidated Financial and Other Data” and our consolidated financial statements including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from GAAP in other jurisdictions. In this section of the offering memorandum, references to “2018,” “2019” and “2020” refer to our fiscal years ended December 31, 2018, 2019 and 2020, respectively.

OVERVIEW

We are a leading property developer in China. We focus primarily on the development of large-scale mixed-use property projects, with extensive presence in the businesses of property management, environmental protection, construction, real estate construction management and commercial projects. We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end-users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management services. On February 9, 2018, A-Living, which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company.

Under our experienced management team, we have grown our business substantially since our inception in 1992. For 2018, 2019 and 2020, we recorded sales revenue from property development of RMB52,487.7 million, RMB54,177.2 million and RMB69,547.4 million (US\$10,658.6 million), respectively, the net profit attributable to our equity holders was approximately RMB7,125.0 million, RMB7,511.8 million and RMB9,474.6 million (US\$1,452.0 million), respectively.

We categorize our business into five business segments: property development, property management, hotel operations, property investment and environmental protection. We assess the performance of the operating segments based on a measure of segment results. Fair value gains on embedded financial derivatives and investment properties and net finance income/(costs) are not included in the result of any operating segment. Since our adoption of a new accounting policy for investment in joint ventures from January 1, 2013, the results of our joint ventures have been separately recorded in our consolidated financial statements through the equity method of accounting.

FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. See “Risk Factors.” Such factors include the following:

Economic Growth of the PRC and the Property Market in the PRC

We believe that demand for our properties is driven in large part by the overall economic development, rising wages and the standard of living in the PRC as well as Hong Kong and Macau where some of the purchasers of our properties reside. China's rate of economic growth has slowed in recent years, with real annual GDP growth slowing to 6.9% in 2017 from 14.2% in 2007. The global economic slowdown and turmoil in the global financial markets starting in the second half of 2008, however, have had a negative impact on the PRC economy, which in turn affected the PRC property market and our financial performance. The PRC property market has shown signs of recovery in the second, third and fourth quarters of 2009 in large part due to stimulus measures adopted by the PRC government. Since late 2009, the PRC government has adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. In 2010 and 2011, the PRC government further adopted certain new policies to cool down the real estate market. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the

Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. Since the second half of 2014, the central and local governments have implemented measures to support the demand of residential properties and to promote the sustainable development of the real estate market. For instance, many local governments have issued measures to lift the restrictions on the purchase of residential properties. In September 2014, the PBOC and CBRC jointly issued a circular which provides that (1) the minimum mortgage loan interest rate for first time purchasers of residential property is 70% of the benchmark lending interest rate; (2) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential properties; and (3) in cities that have lifted restrictions on the purchase of residential properties by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the household that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by SAT and MOF, effective from March 31, 2015, a business tax is levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost. On February 1, 2016, the PBOC and the CBRC issued a notice that mandates a minimum down payment of 25% and permits local policies to decrease 5% from that, and for a household that owns a residential property and has not paid off its existing mortgage loan, the minimum down payment will be 30%. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. Changes in market conditions historically have had a significant impact on our results of operations. We believe our financial performance will continue to be affected by such market volatility in the future.

The slowdown of the worldwide economy from 2008 to early 2009, including that of China, resulted in the decline in real estate market sentiment, which adversely affected property demand and average selling prices in many areas of China. In 2010, a financial crisis emerged in Europe, creating concerns about the ability of certain European nations to continue to service their sovereign debt obligations. On August 6, 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. More recently, the trade war between China and the United States, together with the impact of the COVID-19 pandemic, have contributed to additional macroeconomic uncertainty and adding further downward pressure and negative sentiment to the global economy, including that of China and the United States. It is difficult to determine the impact that any global economic slowdown, financial crisis or trade war may have on the property industry in China. If any global economic slowdown, financial market crisis or trade war eventuates, continues or worsens, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

Regulatory Environment

PRC government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. From the fourth quarter of 2009, the PRC government has adjusted measures and adopted further restrictive policies to curtail the overheating of the real estate market. These policies include abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties, increasing the down payment for mortgage loans, imposing more stringent requirements on the payment of land premiums, launching a property tax scheme, imposing restrictions on purchasing residential properties in an expanding list of cities and increasing benchmark interest rates and the bank reserve requirement ratio. The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. We have had to adapt our operations to these austerity measures. We adopted various sales tactics to increase sales in different projects, such as offering discounts in property prices. We also adjusted the construction schedules of our projects and made the decision in December 2011 to temporarily suspend land purchase, until February 2012. Furthermore, the

governments of Beijing and Guangzhou have adopted additional restrictive policies to curb property price increases. On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. Many cities in the PRC have already promulgated measures to restrict the number of residential properties a household is allowed to purchase. In order to implement the central government's requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. However, in order to support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PRC government issued two notices in September 2014 and in March 2015, which decreased the requirement of the minimum down payment and the floor loan interest rate for a household to buy another residential property to improve its living conditions, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. Since the start of 2017, the government continued to maintain strict sales and loan restrictions targeted at buyers in cities that saw rapid growth. Any such measures could have a material adverse effect on our business, financial condition or results of operations. PRC regulatory measures in the property industry will continue to impact our business and results of operations.

In addition, the PRC government may adopt additional or more stringent policies, regulations and measures in the future with respect to China's real estate industry. In the future, the PRC government may also impose a nationwide real estate tax. Since we do not know when or whether such tax reforms will take place or what their impact will be on our business operations and financial results, such as generating additional costs for us, these policy changes may adversely affect our business, financial condition or results of operations. See “—Factors Affecting Our Performance—Ability to Acquire Land Use Rights” and “—Factors Affecting Our Performance—PRC Regulations on Financing” below and “Risk Factors—Risks Relating to Property Development in the PRC—We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China.”

Ability to Acquire Land Use Rights

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability and costs of acquiring land use rights. Most of the land used in our projects or property developments, whether completed, under development or held for future development, was acquired after the promulgation in 2002 of the PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale by the Ministry of Land and Resources (the “Land Acquisition Rules”).

The Land Acquisition Rules require that land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may only be granted by the government through competitive processes, including public or private tender, auction or listing-for-sale (each a “Bidding Process”). See “Business—Land Acquisition” for a description of the land acquisition procedures.” As a result of these regulations, when we acquire land through a Bidding Process, our cost of land use rights will comprise primarily the purchase price, payable in one lump sum payment or in installments to the government or other transferors as determined in the Bidding Process. Pursuant to the Land Acquisition Rules, the relevant government authority is responsible for establishing a price floor for the Bidding Process on the basis of land value appraisals and government industrial policies. When we acquire land use rights from non-government grantees in secondary markets transactions, the purchase price is determined by direct negotiation with such grantees.

As a result of these regulations and increased competition, our costs of acquiring new land use rights have increased and are expected to continue to increase. We leverage our management's extensive experience and in-depth industry knowledge and believe that most of our land acquisitions were well-timed and at relatively low prices. If we are unable to maintain our relatively low land cost base and fail to pass the increased costs to our customers, our business, results of operations and financial condition may be materially and adversely affected. See “Business—Land Acquisition.”

Price Volatility of Construction Materials and Increasing Labor Cost

Our results of operations are affected by price volatility of construction materials such as steel and cement. While many of the construction materials we use for our property development are procured by our construction contractors, the contractor fees are generally adjustable on a quarterly basis in light of fluctuations in market prices for construction materials. We are exposed to price volatility of construction materials to the extent that we may not be able to pass the increased costs on to our customers. See “Risk Factors—Risks Relating to Our Business—Our profit margin is sensitive to fluctuations in the cost of construction materials and land.” Further, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. In addition, with the overall improvement of living standards in the PRC as well as the PRC government’s recent policies aiming to increase wages of migrant workers, we expect the trend of increasing labor costs to continue in the near future, which in turn will increase our operating costs.

PRC Regulations on Financing

PRC interest rate policies and regulations on financing may affect our ability to finance our property development, as well as the cost of doing so. In addition, PRC interest rate policies and regulations related to mortgage financing by purchasers may affect the demand for our products.

We finance our property development primarily through internal funds, borrowings and proceeds from sales and pre-sales of properties. As of December 31, 2018, 2019 and 2020, our outstanding borrowings were RMB88,529.4 million, RMB96,669.7 million and RMB97,812.8 million (US\$14,990.5 million), respectively. Any increase of benchmark lending rates published by the PBOC may result in an increase in our interest costs, as most of our domestic bank borrowings bear floating interest rates linked to the PBOC-published benchmark rates. We are also highly susceptible to any regulations or measures adopted by the PRC government that may restrict bank lending to business enterprises, particularly, to property developers. Recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to their leverage ratios such as gearing ratio. See “Risk Factors—Risks Relating to Our Business—We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations.”

Moreover, a substantial portion of our customers depends on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may dampen market demand for our properties and adversely affect our sales revenue.

Changes in Product Mix

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time and our project launches according to our development plans.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, significant time is required for property developments, and it may take many months or possibly years before pre-sales of certain property developments occur. Moreover, while the pre-sale of a property generates positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes, and no sales revenue is recognized in respect of such property until the relevant property is delivered to the purchaser. In addition, as market demand is not stable, sales revenue in a particular period can also depend on our ability to gauge market demand and time our property development and selling efforts accordingly. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Joint Venture Arrangements

Historically, we have developed our property projects principally through our wholly owned subsidiaries. However, in recent years, we began to develop a number of projects through joint venture arrangements with independent third parties, such as real estate funds. We have also established joint ventures with other property developers to jointly develop certain property developments. See “Business—Joint Ventures.” We believe that participation in joint ventures allows us to engage with third parties who may have greater capital, better brand recognition, more resources, desirable land, better expertise and access to specific markets than we do, and that such strengths can be utilized for the benefit of our operations. Such joint venture arrangements may include: sales of equity interests in our subsidiaries to financial investors; loans to potential joint venture partners who are in the preliminary stages of development; contributions of our rights to develop land and operating expertise in exchange for financing from the joint venture partner; and acquire and develop land or property projects jointly with other property developers. These types of joint venture arrangements have had and are likely to continue to have an impact on our business, financial condition and results of operations.

Sales of equity interest enable us to realize gains in the value of our property projects while they are still in their development stage and also to raise capital which we can use for other acquisitions and property development. In addition, we may receive pro rata contributions from our joint venture partners with respect to the development of the project. Partial disposals of our project companies may have a significant impact on our income statements.

Our joint venture arrangements may result in cash outflows and expose us to the potential credit risk of the joint venture partners. We may also suffer reputational damage or financial loss and be involved in operational disputes as a result of the actions of our joint venture partners. See “Risk Factors—Risks Relating to Our Business—Disputes with joint venture partners or our project development partners may adversely affect our business.”

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements under the historical cost convention in accordance with HKFRS, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, financial liability at fair value through profit or loss, and financial assets through other comprehensive income. HKFRS requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets, liabilities and equities at the end of each fiscal year, and (ii) the reported amounts of income and expenses during each fiscal year. We continually evaluate these estimates based on our past experience, knowledge and assessment of our current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial statements.

Provisions for Impairment of Properties under Development, Completed Properties Held for Sale and Long-term Assets Held for Hotel Operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held by hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgment and estimates.

As of December 31, 2020, we recorded a provision for impairment of RMB697.3 million (US\$106.9 million) for completed properties held for sale and a provision for impairment of RMB1,363.5 million (US\$209.0 million) for properties under development and a provision for impairment of RMB9.5 million (US\$1.5 million) for long-term assets held for hotel operation.

Land Appreciation Taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalized its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgment is required in determining the amount of land appreciation and its related taxes payable. The Group recognizes these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

As of December 31, 2020, our LAT payable amounted to RMB4,139.8 million (US\$634.5 million).

Current and Deferred Income Tax

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

As of December 31, 2020, the deferred income tax assets, deferred income tax liabilities and PRC corporate income tax payable amounted to RMB1,392.3 million (US\$213.4 million), RMB4,087.1 million (US\$626.4 million), RMB4,768.1 million (US\$730.8 million), respectively.

Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Fair values of completed commercial properties are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

As of December 31, 2020, the fair value of the investment properties amounted to RMB10,849.4 million (US\$1,662.8 million).

Recoverability of trade receivables

Our management assesses the recoverability of trade receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivable and the impairment charge in the period in which such estimate has been changed.

As of December 31, 2020, approximately RMB442.0 million (US\$67.7 million) trade receivables are fully impaired.

CERTAIN INCOME STATEMENT ITEMS

Sales

Our sales revenue consists principally of proceeds from sales of properties and provision of services, after the elimination of our intra-group transactions. Our sales revenue comprises revenues generated from the segments of property development, property management, hotel operations, property investment and environmental protection.

The table below sets forth the revenue by segments and their percentage of the total revenue:

	Year ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	%	US\$
							(Unaudited)
	(in thousands, except percentages)						
Property development.. . .	52,487,664	93.5	54,177,160	89.9	69,547,382	86.6	10,658,603
Property management.. . .	2,132,813	3.8	3,577,311	5.9	7,852,687	9.8	1,203,477
Commercial management .	910,712	1.6	974,372	1.6	555,980	0.7	85,208
Environmental protection .	613,737	1.1	1,510,254	2.5	2,289,203	2.9	350,836
Total.	56,144,926	100.0	60,239,097	100.0	80,245,252	100	12,298,124

Revenues from property development consist of proceeds from sales of our properties. Because we derive substantially all of our sales revenue from the property development segment, our results of operations for a given period are dependent upon the GFA of properties we have available for sale during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions of the property markets in which we operate change from period to period and are affected significantly by the general economic, political and regulatory environment in the PRC as well as in the cities and regions where our property developments are located. See “—Factors Affecting Our Performance.”

We recognize revenues when or as the control of the asset is transferred to the purchaser. For 2018, 2019 and 2020, we recognized revenues for property development of RMB52,487.7 million, RMB54,177.2 million and RMB69,547.4 million (US\$10,658.6 million) in connection with the delivery of an aggregate GFA of 4.68 million sq.m., 4.53 million sq.m. and 4.93 million sq.m., respectively, representing an average realized selling price per sq.m. (calculated by dividing the revenue from the property developments by the aggregate GFA sold) of approximately RMB11,206, RMB11,957 and RMB14,099 per sq.m. (US\$2,160.8), respectively.

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development, after satisfying the conditions for pre-sales according to PRC laws and regulations. See “Business—Pre-sales.” There is a time difference, typically ranging from six to 24 months, between the time we commence pre-selling properties under development and the completion of the development. We do not recognize any revenue from the pre-sales of our properties until the relevant properties are delivered to the purchasers, even though we receive payments at various stages prior to delivery. Before the delivery of a pre-sold property upon the completion of development, payments received from our customers are recorded as current liabilities under “Advanced proceeds received from customers” and “Contract liabilities” on our balance sheet and reflected in the cash flow statements as part of the increase in trade and other payables. As our revenues from sales of properties are recognized upon delivery of properties, the timing of delivery of properties may not only affect the amount and growth rate of our sales revenue, but also cause the amounts of “Trade and other payables” to fluctuate from year to year. See note 26 to our audited consolidated financial statements as of and for the year ended December 31, 2019.

	Year ended December 31,			
	2018	2019	2020	
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)	US\$ (Unaudited)
Average selling price per sq.m. for properties sold				
Southern China Region	9,120	11,521	9,453	1,449
Western China Region	8,447	11,216	8,421	1,291
Eastern China Region	11,038	13,170	14,970	2,294
Hainan & Yunnan Region	20,522	13,840	20,121	3,084
Other Regions	8,333	9,570	11,466	1,757
Overseas	15,340	16,801	21,799	3,341
Combined	11,206	11,957	14,099	2,161

Average selling prices for our low-density units are generally higher than those for apartment units, and average selling prices for our higher-end apartment units are generally higher than those for our mid-range apartment units. Our product mix varies from period to period due to a number of reasons including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. See “—Factors Affecting Our Performance—Changes in product mix.”

Revenues from our property management segment are recognized in the year in which the services are provided. For 2018, 2019 and 2020, we recognized revenue for property management of RMB2,132.8 million, RMB3,577.3 million and RMB7,852.7 million (US\$1,203.5 million), respectively, and our property management companies experienced a net gain of RMB1,076.2 million, RMB1,385.0 million and RMB1,841.7 million (US\$282.3 million), respectively, over the same periods.

Revenue from our commercial management (including hotel operations and investment in properties) amounted to RMB556.0 million (US\$85.2 million), representing a decrease of 42.9% as compared with RMB974.4 million in 2019. The decrease was mainly attributable to the impact of the COVID-19 pandemic.

We continued to grow our environmental protection business. Revenues from environmental protection is recognized in the period in which the services are rendered. For 2018, 2019 and 2020, revenue generated from environmental protection segment were RMB613.7 million, RMB1,510.3 million and RMB2,289.2 million (US\$350.8 million), respectively.

Cost of Sales

Cost of sales represents primarily the costs we incur directly for our property development activities, principally, cost of properties sold, which includes construction costs, cost of land use rights, business taxes and interest capitalized. Our cost of sales also includes costs we incur directly for our property management activities.

	Year ended December 31,						
	2018		2019		2020		US\$ (unaudited)
	RMB	%	RMB	%	RMB	%	
	(in thousands, except percentages)						
Construction costs.	18,302,943	62.4	20,626,458	54.5	27,214,310	56.3	4,170,775
Land use rights.	7,432,057	25.3	13,303,038	35.2	16,446,486	34.0	2,520,534
Business taxes	335,117	1.1	240,434	0.6	355,785	0.7	54,526
Interest capitalized	3,270,781	11.1	3,657,729	9.7	4,334,258	9.0	664,254
Total.	29,340,898	100.0	37,827,659	100.0	48,350,839	100.0	7,410,089

We recognize the cost of sales of our properties for a given period to the extent that revenues from such properties have been recognized in such period. Prior to their completion and delivery, properties under development are included in our balance sheet at the lower of cost and net realizable value. Cost for properties under development comprises construction costs, borrowing costs and professional fees incurred during the development period.

Construction Costs. Construction costs include all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings and related infrastructure. Historically, construction material and labor costs have been a major cause of the fluctuations in our construction costs. See “—Factors Affecting Our Performance—Price volatility of construction materials and increasing labor cost.”

Further, price movements of other supplies used in property developments, including construction equipment and tools, ventilation systems, plant watering systems, elevators and interior decoration materials, may also increase our construction costs. Costs associated with foundation/substructure design and construction are another major component of our construction costs and vary not only depending on the location and height of the building but also on the geological conditions of the site. The foundation/substructure designs and construction process for developments in different localities and the respective costs incurred may vary significantly. Therefore, construction costs of a property development may be higher if the conditions of the site require more complex designs and procedures or more expensive materials in order to provide the desired foundation support.

Costs of Land Use Rights. Costs of land use rights include costs relating to acquisition of the rights to occupy, use and develop land, including land premium, land-related taxes and government surcharges. In general, we do not pay the demolition and resettlement cost which primarily includes the compensation paid to relocated residents and the expenses to clean up the site. Our costs of land use rights are influenced by a number of factors, including location, timing of the acquisition as well as plot ratios. Costs of land use rights are also affected by PRC regulations. See “—Factors Affecting our Performance—Ability to acquire land use rights.”

Business Tax and Value Added Tax. Our PRC subsidiaries are subject to valued added tax. The current business tax rate for each of our property development, property management and hotel operations businesses is around 9%, 6% and 6%, respectively.

Capitalized Interest. We capitalize a portion of our costs of borrowing to the extent that such costs are directly attributable to the construction of a project. In general, we capitalize borrowing costs incurred from the commencement of development of a project until the completion of construction. Borrowing costs incurred after the completion of construction are not capitalized, but are instead accounted for in our income statement as finance costs in the period in which they are incurred.

Other Income

Other income comprises income derived in relation to interest income, forfeited deposits from customers as a result of failure to complete purchases and miscellaneous income.

Selling and Marketing Costs

Selling and marketing costs include advertising and promotion expenses in connection with the sales of properties (including advertisements on television and in newspapers, magazines, on billboards, promotional offers made directly to our customers and certain other promotional events), selling and marketing staff costs and other selling expenses. Our selling and marketing costs in any year are affected by the proportion of newly-introduced developments in that year, as well as the degree to which our marketing and branding has penetrated the markets in which we are selling properties. The initial selling and marketing costs for a project are generally higher than the selling and marketing costs for the project's later phases as the project becomes more recognized in the community. We also incur additional selling and marketing costs when we enter into a new market, as part of our efforts to promote our brand name in that market.

Administrative Expenses

Administrative expenses include primarily administrative staff costs, operating leases charges, amortization of land use rights and depreciation.

Share of Post-Tax Profit/(Losses) of Investments Accounted for Using the Equity Method

In 2018, we recorded a share of post-tax profit of investments accounted for using the equity method of RMB27.1 million. In 2019, we recorded a share of post-tax profit of investments accounted for using the equity method of RMB1,086.2 million. In 2020, we recorded a share of post-tax losses of investments accounted for using the equity method of RMB1,585.6 million (US\$243.0 million).

Finance Costs, net

Finance costs, net consist primarily of interest expenses less capitalized interest, exchange gains or losses on foreign currency-denominated borrowings and changes in fair value of derivative financial instruments. We capitalize a portion of our costs of borrowings to property under development to the extent that such costs are directly attributable to the construction activities. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on our borrowings. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the interest costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization.

Income Tax Expenses

Income tax expenses consist of PRC corporate income tax, accrued by our operating subsidiaries, Hong Kong profits tax, LAT and withholding income tax. Because we operate as an overseas exempted company for Cayman Islands regulatory purposes, we are not subject to Cayman Islands income tax.

PRC Corporate Income Tax. Our PRC subsidiaries were subject to PRC corporate income tax of 33% prior to January 1, 2008 (consisting of 30% income tax for foreign-invested enterprises and 3% local income tax). Effective from January 1, 2008, this has been reduced to 25% pursuant to the CIT Law which adopts a uniform income tax rate of 25% on the taxable income of both domestic enterprises and foreign investment enterprises. Under the CIT Law, the corporate income tax rate applicable to certain of our group companies established and operating in Hainan Special Economic Zone before March 16, 2007 will be gradually increased from 15% to 25% in a five-year transitional period starting from January 1, 2008.

Since January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding income tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. We have established a number of subsidiaries in Hong Kong, to which our principal BVI subsidiaries transferred their interests in our PRC subsidiaries. Pursuant to a double tax treaty between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident that directly holds a 25% (or more) interest in the PRC enterprise and certain other requirements are met, such withholding income tax rate may be lowered to 5%.

In 2016, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfilled the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied and a total amount of RMB148.4 million withholding income tax were returned to the Company. In 2018, 2019 and 2020, withholding income tax charged to our income expenses was RMB260.6 million, RMB37.7 million and RMB315.1 million (US\$48.3 million), respectively.

Overseas Income Tax. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Our entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same Act on January 1, 2007 and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong Profits Tax. In 2018 and 2019, except for the fair value gains and the disposal gain of financial assets at fair value through profits or loss, no other provision for Hong Kong profits tax has been made. The remaining profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

LAT. Under PRC laws and regulations, our PRC subsidiaries engaging in property development business are subject to LAT determined by the local tax authorities in the cities in which each project is located. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property's plot ratio, aggregate GFA and selling price. Sales of low-density units and retail shops generally realize higher appreciation values, and are subject to higher LAT rates, compared to less expensive properties. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but are required to pay only a portion of such provisions each year pursuant to tax regulations. We cannot assure you that our LAT provisions are sufficient to cover our LAT obligations or that the tax authorities will agree with the basis on which we calculate our LAT obligations. See “Risk Factors—Risks Relating to Our Business—The relevant PRC tax authorities may challenge the basis on which we calculate our LAT or other tax obligations and increase the LAT prepayment rate” and “—Critical Accounting Policies—Land appreciation taxes” above.

In 2018, 2019 and 2020, LAT charged to our income tax expenses was RMB6,838.1 million, RMB3,875.7 million and RMB4,139.8 million (US\$634.5 million), respectively. In 2018, 2019 and 2020, we made payments for provisional LAT in the amount of RMB2,620.5 million, RMB3,668.2 million and RMB3,539.9 million (US\$541.9 million), respectively. Our LAT provision balance as of December 31, 2018, 2019 and 2020 totaled RMB14,044.2 million, RMB14,251.8 million and RMB14,851.7 million (US\$2,276.1 million), respectively.

As our operations continue to expand, we will also be subject to LAT as implemented by the local tax authorities in the new markets, and we cannot assure you that the LAT obligations we assess and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Non-controlling Interests

Non-controlling interests represent our profit or loss after taxation that is attributable to minority shareholders of our non-wholly owned subsidiaries.

CONSOLIDATED RESULTS OF OPERATIONS

2020 compared to 2019

Revenue. Our revenue increased by 33.2% to RMB80,245.3 million (US\$12,298.1 million) in 2020 from RMB60,239.1 million in 2019, for the following reasons:

- **Property development and sales.** Revenue from recognised sales of property development was RMB69,547.4 million (US\$10,658.6 million) in 2020, representing an increase of 28.4% when compared with RMB54,177.2 million in 2019. The increase was mainly attributable to higher recognised average selling price and recognised GFA sold.
- **Property management.** Revenue from property management was RMB7,852.7 million (US\$1,203.5 million) in 2020, representing an increase of 119.5% when compared with RMB3,577.3 million in 2019. The growth was mainly attributable to an increase in the total GFA under management to 374.8 million sq.m. (2019: 176.6 million sq.m.), which in turn was principally due to business growth and the effect of the acquisition of CMIG Futurelife Property Management Limited.
- **Commercial management.** Revenue from commercial business (including hotel operations and investment in properties) amounted to RMB556.0 million (US\$85.2 million) in 2020, representing a decrease of 42.9% as compared with RMB974.4 million in 2019. The decrease was mainly attributable to the impact of the COVID-19 pandemic.
- **Environmental Protection.** Revenue from environmental protection was RMB2,289.2 million (US\$350.8 million) in 2020, representing an increase of 51.6% when compared with RMB1,510.3 million in 2019. During 2020, we recorded an operating loss from environmental protection of RMB394.1 million, representing a decrease of 217.7% as compared with the operating profit from environmental protection of RMB334.8 million in 2019. The decrease was mainly due to an impairment of goodwill of RMB723.8 million in the environmental business. Excluding the impairment provisions, the operating profit from environmental protection for 2020 would have been RMB329.7 million, representing a decrease of RMB5.1 million and 1.5% as compared with RMB334.8 million in 2019.

Cost of sales. Cost of sales was RMB56,142.9 million (US\$8,604.3 million) in 2020, representing an increase of 34.1% when compared with RMB41,881.1 million in 2019. The increase was mainly due to the increase of both recognised GFA sold and land cost and construction cost.

Gross profit. Gross profit was RMB24,102.4 (US\$3,693.9 million) million in 2020, representing an increase of 31.3% when compared with RMB18,358.0 million in 2019. During 2020, gross profit margin was 30.0%, representing a decrease of 0.5 percentage points when compared with 30.5% in 2019, no significant change overall.

Other gains, net. During 2020, other gains, net was RMB3,740.4 million (US\$573.2 million), representing a decrease of 22.1% when compared with RMB4,802.2 million in 2019. The decrease was mainly due to (i) a loss on fair value of financial assets at FVPL of RMB5.0 million (US\$0.8 million) during 2020, representing a decrease of 100.5% when compared with a gain of RMB999.7 million in 2019; (ii) a gain on disposal of certain subsidiaries of RMB2,425.5 million (US\$371.7 million) in 2020, representing a decrease of 18.9% when compared with RMB2,989.0 million in 2019; and (iii) a gain on disposal of joint ventures and associates of RMB226.3 million during the year and there was no such gain on disposal in 2019.

Other income. In 2020, our other income amounted to RMB1,669.9 million (US\$255.9 million), representing an increase of 30.2% when compared with RMB1,282.5 million in 2019. The increase was mainly attributable to interest income of RMB1,297.5 million, representing an increase of 28.6% when compared with RMB1,009.0 million in 2019, and government grants of RMB264.3 million (US\$40.5 million) in 2020, representing an increase of 92.0% when compared with RMB137.7 million in 2019.

Selling and marketing costs. Our selling and marketing costs amounted to RMB2,384.7 million (US\$365.5 million) in 2020, representing an increase of 17.7% when compared with RMB2,026.2 million in 2019, which was in line with the trend of 33.2% increase in turnover during the year, but the increment was much lower than that of the turnover, reflecting the cost of selling and marketing was well under control.

Administrative expenses. Our administrative expenses amounted to RMB5,234.7 million (US\$802.3 million) in 2020, representing an increase of 30.9% when compared with RMB3,998.9 million in 2019, which was mainly due to (i) the impairment of goodwill on environmental protection projects of RMB723.8 million (US\$110.9 million) during 2020, while there was no such expense in 2019; (ii) the wages and salaries and welfare expenses was RMB1,611 million (US\$246.9 million) in 2020, representing an increase of 10.6% when compared with RMB1,457 million in 2019, the increase was primarily due to acquisition of CMIG Futurelife Property Management Limited and its subsidiaries during the year, resulting an increase of staff correspondingly.

Other expenses. Other expenses was RMB400.0 million (US\$61.3 million) in 2020, representing an increase of 75.2% when compared with RMB228.3 million in 2019. The increase was mainly attributable to compensation expenses, which increased by 142.5% from RMB78.9 million in 2019 to RMB191.3 million (US\$29.3 million) in 2020, and charitable donations, which increased by 41.5% from RMB116.4 million in 2019 to RMB164.6 million (US\$25.2 million) in 2020.

Finance costs, net. Our finance costs, net was RMB1,040.2 million (US\$159.4 million) in 2020, representing a decrease of 58.9% when compared with RMB2,529.8 million in 2019. The decrease was mainly attributable to the increase of RMB3,538.4 million in exchange gains from foreign currency denominated borrowings, and was partially offset by the decrease of RMB1,848.9 million in changes in fair value of derivative financial instruments.

Share of post-tax profits of investments accounted for using the equity method. The share of post-tax profits of investments accounted for using the equity method amounted to RMB1,585.6 million (US\$243.0 million) in 2020, representing an increase of 46.0% when compared with RMB1,086.2 million in 2019. The increase was mainly attributable to an increase in the share of post-tax profits of joint ventures to RMB1,161 million (US\$177.9 million) in 2020 from RMB1,102 million in 2019, and an increase in share of post-tax profits of associates of RMB425 million in 2020 from losses of RMB16 million in 2019.

Profit attributable to shareholders. Profit attributable to shareholders of the Company and core net profit attributable to shareholders of the Company were RMB9,474.6 million (US\$1,452.0 million) and RMB8,346 million (US\$1,279.1 million), respectively, for the year ended 31 December 2020, representing an increase of 26.1% and 23.3% when compared with RMB7,511.8 million and RMB6,769 million respectively for the year ended 31 December 2019.

2019 compared to 2018

Revenue. Our revenue increased by 7.3% to RMB60,239.1 million in 2019 from RMB56,144.9 million in 2018, for the following reasons:

- **Property Development.** Revenue generated from our property development increased by 3.2% to RMB54,177.2 million in 2019 from RMB52,487.7 million in 2018. This was mainly due to higher recognized average selling price.
- **Property Management.** Revenue generated from our property management operations increased by 67.7% to RMB3,577.3 million in 2019 from RMB2,132.8 million in 2018, primarily due to an increase in the total GFA under management to 234.0 million sq.m.
- **Hotel Operations.** Revenue generated from our hotel operations increased by 11.1% to RMB801.7 million in 2019 from RMB721.7 million in 2018. This was mainly attributable to the revenue generated from Shanghai Marriott Hotel City Centre, Raffles Hainan, Holiday Inn Resort Hainan Clearwater Bay, Sheraton Bailuhu Resort Huizhou Hotel and Howard Johnson Agile Plaza Chengdu.
- **Property Investment.** Revenue generated from property investment decreased by 8.7% to RMB172.6 million in 2019 from RMB189.0 million in 2018, as certain properties were transferred to property, plant and equipment including Guangzhou Agile Centre and Shanghai Agile International Plaza.
- **Environmental Protection.** Revenue generated from environmental protection increased by 146.1% to RMB1,510.3 million in 2019 from RMB613.7 million in 2018. This was mainly attributable to an increase in new hazardous waste treatment projects and faster growth of water treatment capacity in 2019.

Cost of Sales. Cost of sales increased by 33.1% to RMB41,881.1 million in 2019 from RMB31,471.0 million in 2018, primarily due to an increase in land cost and construction cost.

Gross Profit. Gross profit decreased by 25.6% to RMB18,358.0 million in 2019 from RMB24,673.9 million in 2018. Our gross profit margin decreased to 30.5% in 2019 from 43.9% in 2018, primarily because the percentage revenue contribution from our high-margin projects dropped significantly as a result of enhanced austerity measures taken by local governments in cities where those projects were located.

Selling and Marketing Costs. Our selling and marketing costs decreased by 12.6% to RMB2,026.2 million in 2019 from RMB2,318.0 million in 2018, primarily due to the significant decline in the sales of projects with higher commissions.

Administrative Expenses. Administrative expenses increased by 37.4% to RMB3,998.9 million in 2019 from RMB2,909.6 million in 2018, primarily due to the increase of research and development expenses and increase of employees resulting from our business expansion.

Other Gains/(Losses), net. In 2019, we recorded net other gains of RMB4,802.2 million, as compared to net other gains of RMB1,986.3 million in 2018. The increase was mainly due to (i) a gain of RMB2,989.0 million from the disposal of equity interest in a project company to an independent third party, (ii) fair value gains on financial assets at fair value through profit or loss of RMB999.7 million, and (iii) remeasurement gains of RMB579.5 million resulting from a joint venture transferred to a subsidiary.

Other Income. Other income increased by 23.3% to RMB1,282.5 million in 2019 from RMB1,040.0 million in 2018, which was mainly attributable to the increase of interest income from bank deposit and government grants.

Other Expenses. Other expenses decreased by 11.2% to RMB228.3 million in 2019 from RMB257.0 million in 2018, primarily due to the decrease of compensation expenses and charitable donations.

Finance Costs, net. We recorded net finance costs of RMB2,529.8 million in 2019, representing an decrease of 7.8% as compared to net finance costs of RMB2,744.4 million in 2018, primarily due to a decrease in non-capitalized exchange losses from foreign currency denominated borrowings of RMB698.2 million and an increase in changes in fair value of derivative financial instruments of RMB298.3 million, partially offset by an increase of RMB782.0 million in non-capitalized interest expenses. The increase in interest expenses was mainly attributable to higher average balance of borrowings in 2019.

Share of Post-Tax Profit/(Losses) of Investments Accounted for Using the Equity Method. In 2019, our share of post-tax profit of investments accounted for using the equity method was RMB1,086.2 million, as compared to share of post-tax profit of investments accounted for using the equity method of RMB27.1 million in 2018.

Income Tax Expenses. Income tax expenses for the year comprised of PRC CIT, LAT and withholding income tax. Our income tax expenses decreased by 33.3% to RMB7,362.9 million in 2019 from RMB11,043.3 million in 2018.

Profit for the year. As a result of the foregoing, our profit for the year increased by 10.5% to RMB9,233.2 million in 2019 from RMB8,357.8 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table presents selected cash flow data from our consolidated cash flow statements.

	Year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$ (Unaudited)
	(in thousands)			
Operating profit before changes in working capital⁽¹⁾	21,901,904	13,388,430	18,906,811	2,897,596
Change in working capital:				
Prepayments for acquisition of land use rights	1,612,784	(5,482,288)	2,323,300	356,061
Property under development and completed				
properties held for sales	(23,088,337)	(19,974,666)	(1,044,484)	(160,074)
Changes in other working capital components ⁽²⁾	14,797,704	13,075,707	(1,958,975)	(300,226)
Cash generated from/(used in) operations	15,224,055	1,007,183	18,226,652	2,793,357
PRC income tax paid.	(8,159,459)	(9,275,848)	(8,477,444)	(1,299,225)
Interest paid	(4,437,007)	(6,282,614)	(6,441,954)	(987,273)
Net cash (used in)/generated from operating activities . . .	2,627,589	(14,551,279)	3,307,254	506,859
Net cash generated from/(used in) investing activities . . .	(17,708,169)	3,880,904	776,142	118,949
Net cash generated from/(used in) financing activities . . .	31,735,826	8,451,294	4,440,180	680,487
Cash and cash equivalents at the end of the year/period . .	35,776,231	33,551,303	41,925,908	6,425,427

Notes:

- (1) Represents profit for the year/period as adjusted for income tax expenses, interest income, net finance income or costs, depreciation, amortization of intangible assets and land use rights, losses/reverse of gains on disposal of investment properties and property, plant and equipment, write-down of completed properties held for sale and properties under development, net exchange gains or losses, share of post-tax profit or losses of associates, share of post-tax profit or losses of joint ventures, fair value gains on investment properties, fair value gains or losses through profit and loss and redemption cost.
- (2) Represents changes in restricted cash, trade and other receivables, trade and other payable and accruals, advanced proceeds received from customers, contract assets and contract liabilities.

Cash Flows From Operating Activities

2020. Our net cash generated from operating activities of RMB3,307.3 million (US\$506.9 million) was attributable to cash generated from operations of RMB18,226.7 million (US\$2,793.4 million), and partially offset by PRC enterprise income tax paid of RMB8,477.4 million (US\$1,299.2 million) and an interest paid of RMB6,442.0 million (US\$987.3 million). Changes in working capital is a net cash outflow of RMB680.2 million (US\$104.2 million), comprising primarily of (i) a decrease of trade and other receivables of RMB10,064.5 million (US\$1,542.5 million), (ii) an increase of trade and other payables and accruals of RMB8,013.0 million (US\$1,228.0 million), (iii) an increase of contract liability of RMB2,086.6 million (US\$319.8 million), and (iv) a decrease of contract assets of RMB1,528.8 million (US\$234.3 million), partially offset by (i) a decrease of property under development and completed properties held for sales of RMB1,044.5 million (US\$160.1 million), (ii) an increase of prepayments for acquisition of land use rights of RMB2,323.3 million (US\$356.1 million), and (iii) a decrease of restricted cash of RMB465.2 million (US\$71.3 million).

2019. Our net cash used in operating activities of RMB14,551.3 million was attributable to cash generated from operations of RMB1,007.2 million, PRC enterprise income tax paid of RMB9,275.8 million and interest paid of RMB6,282.6 million. Operating profit before changes in working capital was RMB13,388.4 million. Changes in working capital contributed to a net cash outflow of RMB12,381.2 million, comprising primarily of an increase of prepayment for acquisition of land use right of RMB5,482.3 million and an increase of trade and other receivables of RMB1,176.0 million, partially offset by an increase of contract liability of RMB8,747.1 million.

2018. Our net cash generated from operating activities of RMB2,627.6 million was attributable to cash generated from operations of RMB15,224.1 million, offset by (i) PRC income tax paid of RMB8,159.5 million and (ii) interest paid of RMB4,437.0 million. Operating profit before changes in working capital was RMB21,901.9 million. Changes in working capital contributed to a net cash outflow of RMB6,677.9 million, comprising primarily of an increase in property under development and completed properties held for sale of RMB23,088.3 million and a decrease in advanced proceeds received from customers of RMB19,461.0 million, partially offset by an increase in contract liabilities of RMB25,489.6 million.

Cash Flows From/Used In Investing Activities

2020. Our net cash generated from investing activities of RMB776.1 million (US\$118.9 million) was mainly attributable to (i) the advance consideration received from disposal of equity interests in certain subsidiaries of RMB7,050.8 million (US\$1,080.6 million), and (ii) a redemption of wealth management products of RMB20,840.7 million (US\$3,194.0 million), partially offset by (i) the purchase of wealth management products of RMB20,797.3 million (US\$3,187.3 million), (ii) the cash advances made to joint ventures, associates and other related parties of RMB7,300.7 million (US\$1,118.9 million), and (iii) the purchase of property, plant and equipment and self-used land use rights of RMB3,121.7 million (US\$478.4 million).

2019. Our net cash generated from investing activities of RMB3,880.9 million was mainly attributable to redemption of wealth management products of RMB34,845.2 million and repayment of cash advances from related parties of RMB10,156.5 million, partially offset by purchase of wealth management products of RMB35,215.9 million.

2018. Our net cash used in investing activities of RMB17,708.2 million was mainly attributable to purchase of wealth management products of RMB25,194.4 million and cash advances made to related parties of RMB13,028.7 million, offset by redemption of wealth management products of RMB25,174.4 million.

Cash Flows From Financing Activities

2020. We had net cash generated from financing activities of RMB4,440.2 million (US\$680.5 million), primarily attributable to (i) net proceeds from borrowings of RMB61,861.2 million (US\$9,480.6 million), (ii) cash advance from non-controlling interests of RMB4,492.9 million (US\$688.6 million), and (iii) cash advances from related parties of RMB5,720.9 million (US\$876.8 million), partially offset by (i) repayments of borrowings of RMB61,293.8 million (US\$9,393.7 million) and dividends paid to shareholders of the Company of RMB3,132.7 million (US\$480.1 million).

2019. We had net cash generated from financing activities of RMB8,451.3 million, primarily attributable to net proceeds from borrowings of RMB48,248.6 million and proceeds from issuance of perpetual capital securities of RMB9,753.3 million, partially offset by repayments of borrowings of RMB42,799.7 million.

2018. We had net cash generated from financing activities of RMB31,735.8 million, primarily attributable to net proceeds from borrowings of RMB80,172.1 million, partially offset by repayments of borrowings of RMB55,383.3 million and dividend paid to our shareholders of RMB3,916.3 million.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cash flows can be generated. To date, we have funded our growth principally from internal funds, borrowings from both domestic and foreign banks, proceeds from sales of our developed properties and proceeds from our equity and debt offerings. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We may also consider spin off listings of non-core business segments to better capitalize on our brand and diversify our funding platform. For example, we spun off our property management business in 2018. See “Business—Property Management Business.”

We typically use internal funds and project loans from PRC banks to finance the initial construction costs of our property developments. Additional cash is generated from pre-sales of properties when the requirements of pre-sale are met under national and local regulations. Such proceeds from pre-sales, together with project loans and proceeds from offshore financing, are the major sources of fund for the construction of our projects.

Taking into account the estimated net proceeds of the Notes, available banking facilities and cash flows from our operations, we believe we have sufficient working capital for our near term business requirements and foreseeable debt repayment obligations.

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from our operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations, as well as the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt servicing, accounts payable and/or other liabilities when they become due and payable. See “Risk Factors—Risks Relating to Our Business—We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations.”

From time to time, we engage in intercompany loan transactions in order to provide funding for the acquisition or development of our projects. Some of these loans contain covenants that may restrict our ability to make intercompany loans to and receive intercompany loans from our borrower subsidiaries. See “Description of Other Material Indebtedness.”

Borrowings

Our borrowings as of December 31, 2018, 2019 and 2020, respectively, were as follows:

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Borrowings included in non-current liabilities:				
Senior notes:				
— 2015 Notes ⁽¹⁾⁽⁹⁾	3,404,973	3,468,738	—	—
— 2017 Notes ⁽²⁾⁽⁹⁾	1,353,991	1,381,795	1,296,740	198,734
— July 2018 Notes ⁽³⁾⁽⁹⁾	4,082,123	4,163,067	3,907,389	598,834
— November 2018 Notes ⁽⁴⁾⁽⁹⁾	2,710,393	2,774,113	—	—
— 2019 Notes ⁽¹¹⁾	—	3,464,656	3,249,826	498,058
— 2020 Notes	—	—	6,376,999	997,318
PRC corporate bonds ⁽⁵⁾	8,556,251	8,567,219	7,593,944	1,163,823
Commercial Mortgage Backed Securities ⁽⁶⁾	4,073,272	4,084,182	4,094,763	627,550
Asset-backed securities ⁽⁷⁾	1,054,866	904,408	1,154,394	176,919
Long-term syndicated loans				
— secured ⁽⁸⁾	16,569,611	15,302,192	14,882,424	2,280,831
— unsecured ⁽⁹⁾	3,189,536	1,513,829	1,155,245	177,049
Long-term bank borrowings				
— secured ⁽⁸⁾	19,355,402	22,550,460	27,043,308	4,144,568
— unsecured ⁽⁹⁾	7,702,072	9,123,273	8,927,955	1,368,269
Other Borrowings				
— secured ⁽¹⁰⁾	5,520,670	8,598,962	8,153,706	1,249,610
— unsecured ⁽⁹⁾	1,002,295	1,189,710	1,720,885	263,737
Less: Current portion of non-current borrowings	(25,378,970)	(32,713,984)	(30,313,830)	(4,645,798)
	<u>53,196,485</u>	<u>54,372,620</u>	<u>59,243,748</u>	<u>9,079,502</u>
Borrowings included in current liabilities:				
Short-term bank borrowings				
— secured ⁽⁸⁾	1,778,944	2,495,166	591,905	90,713
— unsecured ⁽⁹⁾	1,196,538	1,854,931	2,248,359	344,576
Short-term other borrowings				
— secured ⁽¹⁰⁾	5,974,120	4,983,001	3,129,000	479,540
— unsecured ⁽⁹⁾	1,004,300	250,000	2,285,924	350,333
Current portion of non-current borrowings	<u>25,378,970</u>	<u>32,713,984</u>	<u>30,313,830</u>	<u>4,645,798</u>
	<u>35,332,872</u>	<u>42,297,082</u>	<u>38,569,018</u>	<u>5,910,961</u>
Total Borrowings	<u>88,529,357</u>	<u>96,669,702</u>	<u>97,812,766</u>	<u>14,990,462</u>

Notes:

- (1) On May 21, 2015, we issued the US\$500 million 2015 Notes. We redeemed all 2015 Notes on May 21, 2020.
- (2) On August 14, 2017, we issued the US\$200 million 2017 Notes. See “Description of Other Material Indebtedness—2017 Notes.”
- (3) On July 18, 2018 and July 26, 2018, we issued the US\$600 million July 2018 Notes. See “Description of Other Material Indebtedness—July 2018 Notes.”
- (4) On November 23, 2018, we issued the US\$400 million November 2018 Notes. We redeemed all November 2018 Notes on November 23, 2020.
- (5) On January 11, 2016, through a subsidiary, we issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. On January 14, 2019, we redeemed the bonds in an aggregate principal amount of RMB12,228,000 as the investors exercised the right to sell back. The remaining bonds will mature on January 11, 2021 at the coupon rate of 6.95%. See “Description of Other Material Indebtedness — Domestic Corporate Bonds.”

On April 29, 2016, through a subsidiary, we issued 5.8% non-public domestic corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,189,200,000. We fully redeemed the outstanding non-public corporate bonds on April 27, 2018.

On October 11, 2016, we issued 4.6% and 5.7% non-public domestic corporate bonds with an aggregate amount of RMB1,800,000,000 and RMB1,200,000,000 respectively. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000 and RMB1,192,500,000, respectively. The bonds will mature on October 11, 2021 and October 11, 2023 respectively. We shall be entitled to adjust the coupon rate at the end of the third and the fifth year respectively whereas the investors shall be entitled to sell back in whole or in part the bonds. See “Description of Other Material Indebtedness — Domestic Corporate Bonds.”

- (6) A PRC subsidiary of us engaged in commercial property operation entered into Commercial Mortgage Backed Securities (“CMBS”) arrangement with an assets management company by pledging of the receivables for certain properties under its operation as well as the building, the land use right and the investment property. On April 10, 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000 (US\$670,065,550), with a 18-year maturity, amongst which RMB500,000,000 (US\$72,833,212) was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000.
- (7)
 - (i) *Property Management Asset-backed securities* A PRC subsidiary of us engaged in property management entered into Property management asset-backed securities (“PM ABS”) arrangement with an assets management company by pledging of the future five years’ right of receiving management fee for certain properties under its management. On February 26, 2016, the PM ABS was formally established with an aggregate nominal value of RMB1,100,000,000, with a five-year maturity, amongst which RMB100,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the PM ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB975,200,000. We redeemed all outstanding PM ABS on September 26, 2017.
 - (ii) *Panyu Asset-backed securities* A PRC subsidiary of us engaged in property development entered into Panyu asset-backed securities (“Panyu ABS”) arrangement with an assets management company by pledging of the receivables for certain properties under its management. On September 1, 2017, the Panyu ABS was formally established with an aggregate nominal value of RMB1,111,500,000, with a three-year maturity, amongst which RMB55,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,053,653,000.
- (8) As of December 31, 2020, the borrowings were secured by certain of our land use rights, self-used properties, trade and other receivables, completed properties held for sale, properties under development, investment properties and shares of subsidiaries and equity interest.
- (9) As of December 31, 2020, the Existing Notes (excluding the July 2020 Notes and the October 2020 Notes) and the unsecured borrowings were jointly guaranteed by certain of our subsidiaries.
- (10) As of December 31, 2020, the borrowings were secured by certain of our land use rights, self-used properties, completed properties held for sale, properties under development, investment properties and the shares of subsidiaries, cash and equity interests. See “Description of Other Material Indebtedness.”
- (11) On March 7, 2019, we issued the US\$500 million March 2019 Notes. See “Description of Other Material Indebtedness — March 2019 Notes.”

The maturity of our borrowings included in non-current liabilities as of December 31, 2018, 2019 and 2020, respectively, was as follows:

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
				(unaudited)
Between one and two years	19,059,355	29,572,885	29,228,594	4,479,478
Between two and five years	28,047,755	21,117,672	26,237,042	4,021,003
Over five years	6,089,375	3,682,063	3,778,112	579,021
Total	<u>53,196,485</u>	<u>54,372,620</u>	<u>59,243,748</u>	<u>9,079,502</u>

Subsequent to December 31, 2020, we have, from time to time, in the ordinary course of business, entered into additional financial arrangements to finance our property developments or for general working capital purposes. For a more detailed discussion of our material indebtedness, see “Description of Other Material Indebtedness.”

In the ordinary course of business, some of our joint ventures and associates also entered into certain financing arrangements to finance project development, in respect of which we provided guarantees. See “—Contingent Liabilities.” As of December 31, 2020, our guarantee in respect of borrowings of joint ventures and associates amounted to RMB6,220.0 million (US\$953.3 million).

Restricted Cash

In accordance with local government rules, certain of our project companies are required to deposit certain amount of proceeds from pre-sales of properties into specific bank accounts as guarantees for the completion of construction. Before the completion of the pre-sold properties, such deposits may only be used, with the prior approval of the relevant local authorities, for the payments of construction materials, equipment, interim construction payments and taxes. As of December 31, 2018, 2019 and 2020, such deposits amounted to approximately RMB7,328.6 million, RMB7,483.1 million and RMB7,441.8 million (US\$1,140.5 million), respectively.

In connection with mortgage loans provided to our purchasers, the mortgagee banks typically require our project companies to make guarantee deposits with them. As of December 31, 2018, 2019 and 2020, such guarantee deposits amounted to approximately RMB993.4 million, RMB564.5 million and RMB304.8 million (US\$46.7 million), respectively. In addition, our project companies are required by local government authorities to maintain a certain amount of funds in designated bank accounts as medical expenses and compensation payments to construction workers. As of December 31, 2018, 2019 and 2020, such compensation funds amounted to approximately RMB147.4 million, RMB89.2 million and RMB190.0 million (US\$29.1 million), respectively.

In 2018, 2019 and 2020, some of our bank deposits were pledged for certain of our bank borrowings. As of December 31, 2018, 2019 and 2020, such pledged bank deposits amounted to approximately RMB816.0 million, RMB866.8 million and RMB645.0 million (US\$98.9 million).

Contingent Liabilities

As of December 31, 2020, we provided guarantees to PRC banks for loans of approximately RMB51,377.8 million (US\$7,874.0 million) in respect of the mortgage loans provided by the financial institutions to purchasers of our properties. A guarantee is released upon the earlier of the issuance of the relevant property ownership certificate, which will generally be available within one year after the purchasers take possession of the relevant property and the satisfaction of relevant mortgage loan by the purchaser.

Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, we are responsible for the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and we are entitled to take over the legal title and physical possession of the related properties. Our guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as based on our estimate the net realizable value of the related properties is sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of default in payments.

We provided guarantees for certain borrowings of associates and joint ventures. As of December 31, 2020, our guarantees provided for associates and joint ventures for their borrowings amounted to RMB1,108.6 million (US\$169.9 million) and RMB5,111.4 million (US\$783.4 million), respectively.

Commitments

The following table sets forth our commitments as of the date indicated.

	As of December 31, 2020	
	RMB	US\$
	(unaudited) (in thousands)	(unaudited)
Contracted but not provided for:		
— Property development activities	23,313,880	3,573,008
— Acquisition of land use rights	8,244,205	1,263,480
— Property, plant and equipment	829,206	127,081
	<u>32,387,291</u>	<u>4,963,570</u>

Off-Balance Sheet Commitments and Arrangement

Except for the contingent liabilities disclosed, as of December 31, 2020, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. As of December 31, 2020, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements.

MARKET RISKS

Interest Rate Risk

We are subject to market risks due to fluctuations in interest rates. Our net profit is affected by changes in interest rates due to the impact such changes may have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities, including bank borrowings. In addition, an increase in interest rates would adversely affect our prospective purchaser's willingness and ability to purchase our properties, our ability to service loans that we have guaranteed and our ability to raise and service long-term debt and to finance our developments, any of which could adversely affect our business, financial condition and results of operations.

As we have no significant interest-bearing assets, our income and operating cash flows are substantially independent of changes in market interest rates. Our exposure to changes in interest rates is mainly attributable to our bank and other borrowings, including borrowings from PRC banks, senior notes, bonds and various credit facilities and syndicated loans.

Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. In addition, any increase of benchmark lending rates published by PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to PBOC-published rates. We closely monitor trends in interest rates and their impact on our interest rate risk exposure. We entered into floating to fixed interest rate swaps with respect to certain facilities in the past and we may consider entering into similar hedging arrangements in the future.

The PBOC benchmark one-year lending rates in China (which directly affects interest rates on loans to property developers as well as the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2018, 2019 and 2020 was 4.35%, 4.35% and 4.35%, respectively.

We cannot assure you that the PBOC will not further raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Foreign Exchange Rate Risk

We conduct our sales and purchases almost exclusively in Renminbi except for a small portion of our sales proceeds which are in other currencies. Our exposure to foreign exchange risk is principally due to our U.S. dollar or Hong Kong dollar-denominated debt and our bank deposits in the same foreign currencies. As of December 31, 2020, we had U.S. dollar-denominated debt totaling US\$3,832.0 million, primarily consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK\$22,381.7 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans. See “Description of Other Material Indebtedness.” As of the same date, we had monetary assets denominated in Hong Kong dollars of HK\$2,488.7 million and U.S. dollars of US\$235.7 million.

We recognize foreign exchange gain or loss on our income statement due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. Appreciation of the Renminbi against the U.S. dollar generally results in a gain from our U.S. dollar-denominated debt and a loss from our bank deposits in Hong Kong dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See “Risk Factors — Risks Relating to the Notes — Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment.” We may choose to use hedging transactions to reduce our exposure to foreign exchange rate fluctuations from time to time. For example, we may enter into non-speculative hedging or other derivative transactions, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

NON-GAAP FINANCIAL MEASURES

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our earnings before the following items:

- interest income/expense;
- amortization of intangible assets and land use rights;
- non-recurring other income/expense;
- income tax expenses;
- depreciation;
- fair value gains on investment properties; and
- exchange gains/losses.

EBITDA is not a standard measure under HKFRS. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year/period of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

As a measure of our operating performance, we believe that the most directly comparable HKFRS measure to EBITDA is profit for the year/period. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year/period because profit for the year/period includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit for the year/period under HKFRS to our definition of EBITDA for the periods indicated.

	Period ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(unaudited)
	(in thousands)			
Profit for the year/period	<u>8,357,817</u>	<u>9,233,246</u>	<u>12,248,877</u>	<u>1,877,223</u>
Adjustments:				
Fair value gains on investment properties . . .	(1,952,355)	(117,070)	196,906	30,177
Interest income	(704,240)	(1,009,041)	(1,297,492)	(198,849)
Finance costs, net (including capitalized interest realized in cost of sales)	6,015,134	6,187,551	5,374,468	823,673
Exchange (gains)/losses, net	(327,177)	(85,975)	56,174	8,609
Income tax expense	11,043,282	7,362,928	9,223,051	1,413,494
Depreciation	514,515	770,761	940,071	144,072
Amortization of intangible assets and land use rights	<u>88,543</u>	<u>95,605</u>	<u>372,557</u>	<u>57,097</u>
EBITDA	<u>23,035,519</u>	<u>22,438,005</u>	<u>27,114,612</u>	<u>4,155,496</u>
EBITDA margin	41.0%	37.2%	33.8%	33.8%

Our definition of EBITDA should not be considered in isolation or construed as an alternative to profit for the year/period or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/expense, and exchange gains/losses.

INDUSTRY OVERVIEW

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or the Sole Lead Manager or any of our and their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

THE ECONOMY OF THE PRC

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the growth of the PRC economy. According to the National Bureau of Statistics of the PRC, China's GDP has increased from approximately RMB31,924 billion in 2008 to approximately RMB99,087 billion in 2019 at a compound annual growth rate, or CAGR, of approximately 10.8%.

The table below sets out selected economic statistics of China for the years indicated.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
GDP (RMB in billions).	31,924	34,852	41,212	48,794	53,858	59,296	64,128	68,599	74,006	82,075	90,031	99,087
Real GDP growth rate (%).	9.6	9.4	10.6	9.6	7.9	7.8	7.3	6.9	6.7	6.8	6.6	6.1
Per capital GDP (RMB)	24,100	26,180	30,808	36,302	39,874	43,684	47,005	50,028	53,680	59,201	64,644	70,892
Foreign Direct Investment												
—Actual investment												
(US\$ in billions).	108.3	94.1	114.7	124.0	121.1	123.9	128.5	135.6	133.7	136.3	138.3	140.0
Fixed asset investment												
(RMB in billions)	14,817	19,414	24,142	30,193	36,484	43,653	50,200	55,159	59,650	63,168	63,564	55,148

Source: CEIC Data Company Limited and National Bureau of Statistics of the PRC

Since 2005, with a view to preventing China's economy from overheating and to achieving more balanced and sustainable economic growth, the PRC government has taken various measures to control money supply, credit availability and fixed asset investments. In particular, the PRC government has taken measures to discourage speculation in the residential property market and has increased the supply of affordable housing. See the section headed "*Regulation.*"

THE REAL ESTATE MARKET IN THE PRC

Real Estate Reform

Real estate reform in the PRC did not commence until the 1990s, prior to which the PRC real estate industry was part of the nation's planned economy. In the 1990s, China's real estate and housing sector began its transition to a more market-based system. A brief timeline of key housing reforms is set out below:

- 1988 The PRC government amended the Constitution to permit the transfer of state-owned land use rights
- 1992 Public housing sales in major cities commenced
- 1994 The PRC government further implemented the reform and established an employer/employee-funded housing fund
- 1995 The PRC government issued regulations regarding the sales and pre-sales of real estate, establishing a regulatory framework for real estate sales
- 1998 The PRC government abolished the state-allocated housing policy; Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
- 1999 The PRC government extended maximum mortgage term to 30 years
- The PRC government increased the ceiling of maximum mortgage financing from 70% to 80% of property value
- The PRC government formalized procedures for the sale of real property in the secondary market
- 2000 The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
- 2001 The PRC government issued regulations relating to sales of commodity properties
- 2002 The PRC government promulgated the “Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale”
- The PRC government eliminated the dual system for domestic and overseas home buyers in China
- 2003 The PRC government promulgated rules for more stringent administration of real estate loans with a view to reducing the credit and systemic risks associated with such loans
- The PRC State Council (the “State Council”) issued a notice for sustained and healthy development of the property market
- 2004 The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary housing), the proportion of capital funds be increased from 20% to 35%
- Ministry of Construction amended the “Administrative Measures on the Presale of Commercial Housing in Cities”
- CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk control of commercial banks on real estate loans

2005	The PRC government instituted additional measures to discourage speculation in certain regional markets including, among other things, increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling of unfinished properties
2006 to mid-2008	<p>The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail rapid increase in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry</p> <p>The PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control property financings extended by financial institutions to further curtail speculation, over development and uncontrollable increases in property prices</p>
Mid-2008 to the fourth quarter of 2009	The PRC government implemented a number of measures to combat the global economic slowdown, including the lowering of the PBOC benchmark bank lending rates, the internal capital ratio requirements for property projects and the down payment requirements for purchasing residential properties
The fourth quarter of 2009 to the first quarter of 2010	The PRC government adjusted certain policies to curtail the overheating of the PRC property market including abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties and imposing more stringent requirements on the payment of land premiums
First quarter of 2010 to the end of 2010	The PRC government launched a series of policies to cool down the overheated real estate market, such as increasing the down payment requirements for properties purchased with mortgage loans, imposing property purchase restrictions for non-local residents, decreasing the ceiling of the maximum loan to value ratio of mortgage loans offered to borrowers, increasing mortgage interest rates and construction loan interest rates
2011	The PRC government implemented measures aimed at further cooling the real estate property market. These measures include increasing the minimum down payment to at least 60% of the total purchase price, setting minimum mortgage lending interest rate of 110% of the benchmark rate, levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. There are also other measures targeting certain cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties and imposing property tax. In addition, certain cities, including Beijing, Shanghai, Qingdao, Chengdu and Jinan, have promulgated measures further limiting the number of residential properties a household is allowed to purchase. Between February and July 2011, the PBOC raised the one-year benchmark lending rate by 75 basis points from 5.81% to 6.56%

- 2012 The PRC government continued to implement selected policies aimed at further cooling the real estate property market. The NDRC announced in February 2012 that the government intended to limit mortgage loans for home purchases by foreigners to reduce overseas investment in the local property market. However, the PRC government reiterated its support for first-time homebuyers, including the construction of affordable housing and the offer of differentiated loans by China's four biggest state-owned banks to first-time homebuyers and to fund affordable housing projects. Beginning in May 2012, the PRC government began to implement selected measures to support the growth of the Chinese economy. In May 2012, the government lowered bank reserve requirement ratio by 50 basis points for the second time, lowering the reserve requirement ratio for the country's largest financial institutions to 20%. The PRC government also lowered the PBOC one-year benchmark lending rate for the first time since December 2008, reducing the one-year benchmark lending rate by 56 basis points to 6.0%. In August 2012, the PRC government began preparing the implementation of a broader property tax following initial trials in Shanghai and Chongqing, with tax governors from across the country undergoing a six-month training program organized by the State Administration of Taxation to prepare for the tax's implementation. In December 2012, The Central Economic Work Conference announced that China will continue its property market control policies in 2013, step up the construction and management of low-income housing, as well as renovation of run-down areas.
- 2013 On February 26, 2013, the State Council issued the "Notice on Continuing Adjustment and Control of Property Market", which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit.
- On July 19, 2013, the PBOC announced a few measures to further liberalize China's lending interest rate effective from July 20, 2013. The most important of all is the removal of the lending rate floor, which was 30% below the benchmark rates. The floor on the benchmark mortgage rate will however remain to curb speculative demand on the property market and maintain a healthy development of the market.
- 2014 On August 7, 2014, Foshan eased its home purchase restriction, allowing non-residents to buy one housing unit and registered local residents to buy up to two units. On September 3, 2014, Dalian removed its home purchase restriction, allowing both residents and non-residents to buy housing units in Dalian without limits on the number of units purchased. On September 24, 2014, Wuhan removed the restriction on the purchase of homes. As of September 30, 2014, other than Beijing, Shanghai, Guangzhou, Shenzhen and Sanya, cities that had property-purchasing limitations have loosened or canceled such limitations.

On September 29, 2014, the PBOC and the CBRC jointly issued the “Circular on Further Improving Financial Services for Housing Consumption” (關於進一步做好住房金融服務工作的通知), which provides that the down payment for the first-time home purchase with mortgage loans or the home upgrade purchase with mortgage loans after full repayment of the first home purchase shall be not less than 30% of the purchase price, and the loan interest rate shall be not lower than 70% of the benchmark lending rate published by the PBOC. In cities where restriction on purchasing residential properties have not been applied or have been canceled, the banks may set the down payment as a percentage of purchase price and set the interest rate based on the solvency and credit status of mortgage loan applicants who own two or more residential properties with mortgage loans fully repaid and are applying for mortgage loans to buy another property.

On November 21, 2014, the PBOC reduced the benchmark one-year lending rate to 5.60%.

2015 As of March 1, 2015, the new property registration rules in China unifies property registration nationwide. The new registration system shares information such as property location, area and origin of ownership in real time among government departments including the police, taxation and audit authorities.

On March 27, 2015, the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources jointly issued a notice to address property oversupply. Key measures included adjusting land supply, allowing developers to change their project planning (i.e. adjusting the unit sizes of apartments), and allowing developers to change the land uses (e.g. from residential to social housing, commercial, recreational, tourism and cultural uses) of land plots where construction has not yet started.

On March 30, 2015, the PBOC, CBRC and the Ministry of Housing and Urban-Rural Development jointly announced an easing of the housing mortgage policy. The second-home down payment requirement for self-use ordinary housing was lowered from between 60 to 70% to 40%, and the minimum interest rate of 110% of the benchmark lending rate was eliminated. The down payment requirement eased from 30% to 20% for first home purchases under Housing Provident Fund scheme, and from 40% to 30% for second home purchases. The Ministry of Finance exempted business tax on second-hand sales of ordinary housing held for more than two years.

On March 30, 2015, both the Ministry of Finance and PBOC announced measures to increase home purchases and to sustain economic growth. China’s Ministry of Finance announced an adjustment to the tax policy for individual housing transactions wherein residential properties held by owners for two years or more will qualify for a tax exemption or reduction following the sale of the property, down from the previous minimum holding period of five years.

On the same day, the PBOC announced that it would promote the residential market by lowering the minimum down payment for first-time buyers of “ordinary homes” and qualified buyers of second “ordinary homes”. For first-time buyers, the new down payment would be a flat 20%, compared to 20% for homes smaller than 90 sq.m. and 30% for homes larger than 90 sq.m..

On April 19, 2014, PBOC lowered the reserve requirement ratio (“RRR”) by a full percentage point to 18.5% effective April 20, 2016, the deepest single reduction since 2008. This follows a cut of 50 basis points on February 4, 2016 in order to ward off a sharp slowdown in the economy.

On June 29, 2015, the PBOC cut the RRR again; 0.5% for commercial banks of all sizes, and 3% for finance companies to increase financing.

On August 19, 2015, Chinese authorities, including the Ministry of Commerce, issued a statement allowing overseas companies’ Chinese units and foreign nationals working and living in China to buy properties for their own use. This represented a reversal of a 2006 law that banned foreign citizens living and working in China for less than a year from buying a home in the country, and for foreign property companies with registered capital less than half of their total investments.

On August 26, 2015, the PBOC cut the RMB benchmark loan and deposit interest rates by 0.25% each for financial institutions in order to reduce financing costs to businesses. It also cut deposit and loan interest rates on personal housing provident funds used in mortgages by 0.25% to 2.75% for loans with tenors 5 years or less and 3.25% for those loans over 5 years.

On August 31, 2015, the PBOC, MOF and MOHURD jointly announced an easing of the housing mortgage policy. The down payment requirement eased from 30% to 20% for second home purchases under Housing Provident Fund scheme.

On September 1, 2015, the minimum payment for buyers who use their Housing Provident Funds to buy a second home was lowered to 20% from 30%, if buyers had paid off their previous mortgage. The rule does not apply to tier one cities.

On September 30, 2015, PBOC and CBRC jointly announced that for the cities without housing restriction policy, The first home down payment requirement for self-use ordinary housing was set to be 25%.

On October 8, 2015, MOHURD raised housing fund loan upper limit for eligible cities and launched non-local housing fund loan application.

On October 24, 2015, PBOC announced that the one-year lending rate will decrease to 4.35% and the one-year deposit rate will decrease to 1.5%. The deposit reserve ratio of financial institution will be decreased by 0.5%. The floating range cap of the deposit rate for commercial bank and rural cooperative financial institutions was eliminated.

2016 On February 1, 2016, PBOC and CBRC jointly announced that for the cities without housing restriction policy, the minimum down payment for first home purchase and second home purchase is set to be 25% and 30%, respectively, of the purchase price. Various regions may decrease by 5% based on the 25% minimum down payment for first home purchase.

On February 2, 2016, mortgage down payment ratio was allowed to be reduced to 20% for the 1st home purchase and 30% for the 2nd home purchase in non-purchase-restricted cities.

On February 21, 2016, PBOC has raised the interest rate of Employee Housing Provident Fund, which will be executed by the one-year fixed deposit interest rate, namely 1.50% per year.

On March 1, 2016, PBOC announced that the deposit reserve ratio of financial institution decreased by 0.5%.

On March 25, 2016, General Office of the People's Government of Shanghai Municipality unveiled the new housing policy: (1) Raise the hurdle for home purchase by non-local residents (non-Shanghai residents now have to pay social insurance or individual income tax for five consecutive years to become a qualified buyer, instead of two years); (2) Tighten the definition of "second-home buyer"; (3) Increase down payment for second-homes (buyers of second homes will have to pay a minimum 70 percent down payment for "non-ordinary housing" and a minimum 50 percent for "ordinary housing" — previously, a 40 percent down payment was required for both types of house); (4) Adjust the ordinary housing standard; and (5) Restrict housing transactions by company-owned property.

During the third quarter of 2016, many tier two cities' municipal governments began fine-tuning property policies. The municipal governments of Xiamen, Wuhan, Nanjing, Suzhou and Hefei have issued different restrictive policies (raised down payment or restricted home purchase again) to rein in the increasing housing price. For example, Wuhan municipal government raised down payment from 30% to 40% for second-hand housing buyers on September 1, 2016.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy.

2017 In 2016, China's housing market is marked by new highs with record-breaking sales and price growth. Since the start of 2017, the government continued to maintain strict sales and loan restrictions targeted at buyers in tier one and tier two cities that saw rapid growth (namely Shenzhen, Shanghai, Hefei, Nanjing and Suzhou).

On January 13, 2017 Chongqing Municipal Government promulgated the "Chongqing Municipal People's Government's decision on the revision of "Chongqing's tentative approach of implementation of the reform pilot on the taxation on partial individual housing property" and "Chongqing's implementation details of personal housing property tax collection and management": (1) The pilot areas are Yuzhong District, Jiangbei District, Shapingba District, Jiulongpo District, Dadukou District, Nan'an District, Beibei District, Yubei District and Banan District. (2) The people in Chongqing without household registration, business or work at the same time purchasing of the first or more set housing will be included in the first collection of objects. (3) the tax rate is 0.5% for those in Chongqing without household registration, business or work at the same time purchasing the first set or more ordinary housing.

On January 13, 2017, Chongqing municipal government announced "Chongqing Provisional Rules on Collection and Administration of Property Tax of Individual Residential Houses" (重慶市關於開展對部分個人住房徵收房產稅改革試點的暫行辦法). Based on the updated policy, non-resident buyers (who are not employed in and do not own any enterprise in Chongqing) need to pay 0.5% of total housing value every year even for the first time purchase of ordinary residential property in Chongqing (previously only the second or subsequent purchases were liable for payment of property tax).

On March 24, 2017, Foshan municipal government promulgated the “Notice on Further Improving Purchasing Restrictions for New Commodity Housing” (佛山市人民政府辦公室關於進一步完善我市新建商品住房限購政策的通知). Based on the policy, non-residents can only buy one new commodity house in areas which have purchasing restrictions, and must provide either personal income tax or social security records dated within two years of the purchase date which have been paid or accumulated in Foshan city for at least one year.

On December 23, 2017 the Minister of Housing and Urban-Rural Construction indicated that the government will establish a housing system that ensures supply through multiple sources, provide support through multiple channels, and encourage both housing purchase and renting in 2018. The government will apply a differentiated property policy based on local conditions and divide power between central and local governments and promote the steady and healthy development of the real estate market. While imposing control measures on the residential property market, the policy thrust is to meet basic housing needs for first home buyers as well as upgraders demand.

Additional information on housing reforms and recent regulatory developments is set out in the section entitled “*Regulation*” in this offering memorandum.

The housing reforms, the economic growth of China, the increase in disposable income, emergence of the mortgage lending market and the increase in the urbanization rate are key factors in sustaining the growth of China’s property market. Government housing reforms continue to encourage private ownership, and it is expected that an increasing proportion of urban residents will own their private properties in the near future.

The table below sets out selected figures showing China’s urbanization rate and the increase in disposable income levels of the urban population in China for the periods indicated.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Urban population (in millions)	624	645	670	691	712	731	749	771	793	813	831	848
Total population (in millions)	1,328	1,335	1,341	1,347	1,354	1,361	1,368	1,375	1,383	1,390	1,395	1,400
Urbanization rate (%)	47.0	48.3	49.9	51.3	52.6	53.7	54.8	56.1	57.3	58.5	59.6	60.6
Per capita disposable income (urban) (RMB)	15,781	17,175	19,109	21,810	24,565	26,462	28,844	31,195	33,616	36,396	39,251	42,359

Sources: CEIC and National Bureau of Statistics of China

Property Price and Supply

Prices for property in China have continued to increase since 2008, with the average price of residential properties in China increasing from approximately RMB3,576 per sq.m. in 2008 to approximately RMB9,287 per sq.m. in 2019, while the average price of commercial properties in China increased from approximately RMB5,886 per sq.m. in 2008 to approximately RMB10,952 per sq.m. in 2019.

In addition, investment in property increased from approximately RMB3,058 billion in 2008 to approximately RMB12,026 billion in 2019.

The following table sets forth selected data relating to the PRC property market for the periods indicated.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Investment in property (RMB in billions)	3,058	3,623	4,827	6,174	7,180	8,601	9,504	9,598	10,258	10,980	12,026	13,219
Total gross floor area sold (sq.m. in millions).	660	948	1,048	1,094	1,113	1,306	1,207	1,285	1,573	1,694	1,717	1,716
Gross floor area of residential properties sold (sq.m. in millions).	593	862	934	965	985	1,157	1,052	1,124	1,375	1,448	1,479	1,501
Gross floor area of commercial properties sold (sq.m. in millions).	42	53	70	79	78	85	91	93	108	128	120	102
Average price of commodity properties (RMB per sq.m.)	3,800	4,681	5,032	5,357	5,791	6,237	6,324	6,793	7,476	7,892	8,726	9,310
Average price of residential properties (RMB per sq.m.).	3,576	4,459	4,725	4,993	5,430	5,850	5,932	6,472	7,203	7,614	8,553	9,287
Average price of commercial properties (RMB per sq.m.)	5,886	6,871	7,747	8,488	9,021	9,777	9,814	9,561	9,786	10,323	10,903	10,952

Sources: CEIC and National Bureau of Statistics of China

Housing Mortgage

According to CEIC Data Company Limited, a database vendor based in Hong Kong, the aggregate sum of outstanding mortgage loans for residential properties in the PRC grew from approximately RMB2,980 billion in 2008 to approximately RMB30,200 billion in 2019.

Real Estate Sales Revenue

The expansion of the property industry in China was evidenced by the growth of revenue from the sale of properties in China. According to CEIC Data Company Limited, the total revenue from property development in the PRC increased from approximately RMB2,507 billion in 2008 to approximately RMB15,972.5 billion in 2019. During the same period, total GFA sold increased from approximately 659.7 million sq.m. in 2008 to approximately 1,715.6 million sq.m. in 2019.

THE REAL ESTATE MARKET IN GUANGDONG PROVINCE

Guangdong Province is located in the southern part of China and comprises approximately 179,757 square kilometers in area. According to CEIC Data Company Limited, Guangdong Province had a permanent resident population of approximately 115.2 million in 2019. Guangdong Province has experienced substantial economic growth in the past years. The table below sets out selected economic statistics of Guangdong Province for the periods indicated.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
GDP (RMB bn)	3,680	3,948	4,601	5,321	5,707	6,247	6,781	7,281	8,085	8,971	9,728	10,767
Real GDP growth rate (%).	10.4	9.7	12.5	10.0	8.2	8.5	7.8	8.0	7.5	7.5	6.8	6.2
Per capita GDP (RMB).	37,638	39,436	44,736	50,807	54,095	58,833	63,469	67,503	74,106	80,932	86,412	94,172
Per capita disposable income (urban) (RMB).	19,733	21,575	23,898	26,897	30,227	29,537	32,148	34,757	37,684	40,975	44,341	48,118

Sources: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 100 million sq.m. of commodity properties was completed in Guangdong Province in 2019. A total GFA of approximately 138 million sq.m. was sold in Guangdong Province in 2019. The table below sets out the total commodity building GFA completed, total GFA sold and average property price per sq.m. in Guangdong Province for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Commodity building GFA												
completed (mm sq.m.) . .	44	51	57	61	64	63	73	60	66	82	76	100
GFA sold (mm sq.m.)	49	71	73	74	79	98	93	117	146	160	143	138
% of total GFA sold												
in PRC	7.4	7.5	7.0	6.8	7.1	7.5	7.7	9.1	9.3	9.4	8.4	8.1
Average price (RMB psm) . .	5,953	6,513	7,486	7,879	8,112	9,090	9,083	9,796	11,097	11,776	13,073	14,262

Source: Guangdong Bureau of Statistics and CEIC

The Property Market in Guangzhou

Guangzhou is the largest city in southern China and the capital of Guangdong Province. According to Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2018, Guangzhou had a permanent resident population of approximately 15.3 million. In 2019, Guangzhou's GDP reached approximately RMB2,363 billion.

The table below sets out selected economic statistics of Guangzhou for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB bn)	837	924	1,086	1,256	1,370	1,566	1,690	1,831	1,978	2,150	2,286	2,363
Real GDP growth rate (%) . .	12.6	11.9	13.2	11.4	10.4	11.7	8.6	8.4	8.2	7.0	6.2	6.8
Per capita GDP (RMB)	77,165	80,272	88,361	98,677	107,055	121,585	129,938	137,793	143,638	150,678	155,491	156,427
Per capita disposable income												
(urban) (RMB)	25,317	27,610	30,658	34,438	38,054	42,049	42,955	46,735	50,941	55,400	59,982	65,052

Source: Guangdong Bureau of Statistics and CEIC

Guangzhou is also one of the largest commercial centers in southern China. It serves as a transportation and commercial hub for southern China.

According to CEIC Data Company Limited, a total GFA of approximately 15.2 million sq.m. was completed in Guangzhou in 2018. A total GFA of approximately 15.5 million sq.m. was sold in Guangzhou in 2018. The average property selling price per sq.m. in Guangzhou in 2018 was approximately RMB20,013.

The Property Market in Zhongshan

Zhongshan is located in the southern region of Guangdong Province. It is located close to Hong Kong and Macau, with direct ferries operating from Hong Kong. Zhongshan is the hometown of Dr. Sun Yat-Sen, widely regarded as the founding father of modern China. According to Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2019, Zhongshan had a permanent resident population of approximately 3.4 million. In 2019, Zhongshan's GDP reached approximately RMB310 billion. The table below sets out selected economic statistics of Zhongshan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB bn)	147	159	188	223	248	269	287	305	325	343	363	310
Real GDP growth rate (%) . .	11.1	10.4	14.2	13.4	11.3	10.0	7.9	8.3	7.6	6.6	5.9	1.2
Per capita GDP (RMB)	53,533	54,887	61,691	71,079	78,846	85,101	90,007	95,365	100,897	105,711	110,585	92,709
Per capita disposable income (RMB)	21,560	23,088	25,357	27,700	31,130	34,274	34,304	37,254	41,613	45,295	48,804	52,502

Source: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 7.4 million sq.m. was sold in Zhongshan in 2018. The average property selling price per sq.m. in Zhongshan was approximately RMB11,091 in 2018.

The Property Market in Foshan

Foshan is located in the central part of Guangdong Province, situated to the west of Guangzhou. According to the Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2019, Foshan had a permanent resident population of approximately 8.2 million. In 2019, Foshan's GDP reached approximately RMB1,075 billion. The table below sets out selected economic statistics of Foshan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions)	442	485	569	626	668	712	756	813	876	940	994	1,075
GDP growth rate (%)	15.3	13.1	14.3	11.5	8.2	9.8	8.3	8.3	8.1	8.3	6.3	6.9
Per capita GDP (RMB)	68,667	72,167	80,794	86,759	92,145	97,784	103,253	110,054	117,606	124,324	127,691	N/A
Per capita disposable income (urban) (RMB)	22,494	24,578	27,245	30,718	34,580	38,038	36,555	39,757	43,120	46,849	50,737	55,233

Source: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 23.5 million sq.m. was sold in 2018. The average property selling price per sq.m. in Foshan in 2018 was approximately RMB11,294.

The Property Market in Heyuan

Heyuan is located in the northeastern part of Guangdong Province. According to the Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2019, Heyuan had a permanent resident population of approximately 3.1 million. In 2019, Heyuan's GDP reached approximately RMB108 billion. The table below sets out selected economic statistics of Heyuan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions).	40	41	45	53	61	69	75	78	85	95	101	108
GDP growth rate (%).	10.3	10.1	12.7	12.9	11.8	12.1	8.5	6.1	6.6	5.1	6.3	5.5
Per capita GDP (RMB).	14,109	14,163	15,564	17,938	20,536	22,810	24,721	25,513	27,739	30,659	32,530	34,842
Per capita disposable income (urban) (RMB).	11,343	12,138	13,177	14,737	16,520	18,436	18,246	20,016	21,817	23,780	25,492	27,129

Source: Guangdong Bureau of Statistics and CEIC Data Company Limited

According to CEIC Data Company Limited, a total GFA of approximately 4.6 million sq.m. was sold in Heyuan in 2019. The average property selling price per sq.m. in Heyuan in 2019 was approximately RMB6,499.

The Property Market in Huizhou

Huizhou is located in the southern region of Guangdong Province. According to the on Guangdong Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2019, Huizhou had a permanent resident population of approximately 4.9 million. According to the Guangdong Bureau of Statistics, Huizhou's GDP reached approximately RMB418 billion in 2019. The table below sets out selected economic statistics of Huizhou for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions).	131	142	174	212	241	274	304	318	345	383	410	418
GDP growth rate (%).	11.7	13.3	18.3	15.2	12.8	13.8	9.9	9.2	8.1	7.6	6.0	4.2
Per capita GDP (RMB).	31,881	33,300	38,917	45,829	51,721	58,434	64,398	67,046	72,465	80,205	85,418	86,043
Per capita disposable income (RMB).	19,481	21,278	23,565	26,609	29,965	32,991	27,300	30,057	33,213	36,608	39,574	42,999

Source: Guangdong Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 17.2 million sq.m. was sold in 2019. The average property selling price per sq.m. in Huizhou in 2019 was approximately RMB10,883.

The Property Market in Nanjing, Jiangsu Province

Nanjing is the capital of Jiangsu Province, located in the heart of Yangtze River Delta. According to CEIC Data Company Limited, as of December 31, 2019, Nanjing had a permanent resident population of approximately 8.5 million. In 2019, Nanjing's GDP reached approximately RMB1,403 billion. The table below sets out selected economic statistics of Nanjing for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions).	382	423	513	615	731	820	896	986	1,066	1,172	1,282	1,403
GDP growth rate (%).	12.1	11.5	13.1	12.0	11.7	11.0	10.1	9.3	8.0	8.1	8.0	7.8
Per capita GDP (RMB).	50,855	55,290	65,273	76,263	89,816	100,307	109,194	119,883	129,194	141,103	152,886	165,681
Per capita disposable income (RMB).	22,337	24,678	27,383	31,100	35,092	39,125	42,568	46,104	49,997	54,538	59,308	64,372

Source: Nanjing Bureau of Statistics and CEIC

According to the CEIC Data Company Limited, a total GFA of approximately 11.8 million sq.m. was completed in Nanjing in 2018, and approximately 13.2 million sq.m. was sold in 2019. The average property selling price per sq.m. in Nanjing in 2018 was approximately RMB22,380.

The Property Market in Chengdu, Sichuan Province

Chengdu is the capital of Sichuan Province, located in the southwestern part of China. According to the Chengdu Bureau of Statistics and CEIC Data Company Limited, as of December 31, 2019, Chengdu had a permanent resident population of approximately 16.6 million. In 2019, Chengdu's GDP reached approximately RMB1,701 billion. The table below sets out selected economic statistics of Chengdu for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions)	394	450	555	695	814	911	1,006	1,080	1,217	1,389	1,534	1,701
GDP growth rate (%)	12.1	14.7	15.0	15.2	13.1	10.2	8.9	7.9	7.7	8.1	8.0	7.8
Per capita GDP (in RMB)	31,203	35,215	41,253	49,438	57,624	63,977	70,019	74,273	76,960	86,911	94,782	103,386
Per capita disposable income (urban) (in RMB)	15,580	17,589	19,920	23,048	27,194	29,968	30,996	33,476	35,902	38,918	42,128	45,878

Source: Chengdu Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 17.2 million sq.m. was completed in Chengdu in 2018 and a total GFA of approximately 35.3 million sq.m. was sold in 2019. The average property selling price per sq.m. in Chengdu in 2018 was approximately RMB9,867.

The Property Market in Xi'an, Shaanxi Province

Xi'an is the capital of Shaanxi Province. According to CEIC Data Company Limited, as of December 31, 2019, Xi'an had a permanent resident population of approximately 10.2 million. In 2019, Xi'an's GDP reached approximately RMB932 billion, representing a per capita GDP of approximately. The table below sets out selected economic statistics of Xi'an for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions)	232	272	324	387	439	492	549	580	628	747	835	932
GDP growth rate (%)	16.3	14.5	14.5	13.5	12.2	11.1	9.9	8.2	8.6	7.7	8.2	7.0
Per capita GDP (in RMB)	27,794	32,420	38,357	45,561	51,499	57,464	63,794	66,938	71,647	78,368	85,114	92,256
Per capita disposable income (in RMB)	15,207	18,963	22,244	25,981	29,982	33,100	30,715	33,188	35,630	38,536	38,729	41,850

Source: Xi'an Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 9.7 million sq.m. was completed in Xi'an in 2018, and a total GFA of approximately 26.4 million sq.m. was sold in 2019. The average property selling price per sq.m. in Xi'an in 2018 was approximately RMB10,171.

The Property Market in Hainan Province

Hainan is an island located off the southern coast of China, one of the special economic zones laid out by Deng Xiaoping. According to CEIC Data Company Limited, as of December 31, 2019, Hainan had a permanent resident population of approximately 9.5 million. In 2019, Hainan's GDP reached approximately RMB531 billion. The table below sets out selected economic statistics of Hainan for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB bn)	150	165	206	252	286	318	350	370	405	446	483	531
GDP growth rate (%)	10.3	11.7	16.0	12.0	9.1	9.9	8.5	7.8	7.5	7.0	5.8	5.8
Per capita GDP (RMB)	17,691	19,254	23,831	28,898	32,377	35,663	38,924	40,818	44,347	48,430	51,955	56,507
Per capita disposable income (RMB)	12,608	13,751	15,581	18,369	20,918	22,411	24,487	26,356	28,453	30,817	33,349	36,017

Source: Hainan Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 13.0 million sq.m. was completed in Hainan in 2019, and a total GFA of approximately 8.3 million sq.m. was sold in the same year. The average property selling price per sq.m. in Hainan in 2019 was approximately RMB15,383.

The Property Market in Shanghai

Shanghai is situated on the bank of Yangtze River Delta in China, one of the largest cities by population in China. According to CEIC Data Company Limited, as of December 31, 2019, Shanghai had a permanent resident population of approximately 24.3 million. In 2019, Shanghai's GDP reached approximately RMB3,816 billion. The table below sets out selected economic statistics of Shanghai for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions)	1,407	1,505	1,717	1,920	2,018	2,182	2,357	2,512	2,818	3,063	3,268	3,816
GDP growth rate (%)	9.7	8.2	10.3	8.2	7.5	7.7	7.0	6.9	6.9	6.9	6.9	6.0
Per capita GDP (in RMB)	66,932	69,165	76,074	82,560	85,373	90,993	97,370	103,796	116,562	126,634	135,000	157,279
Per capita disposable income (in RMB)	26,675	28,838	31,838	36,230	40,188	44,878	48,841	52,962	57,692	62,596	68,034	73,615

Source: Shanghai Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 26.7 million sq.m. was completed in Shanghai in 2019, and a total GFA of approximately 17.0 million sq.m. was sold in the same year. The average property selling price per sq.m. in Shanghai in 2019 was approximately RMB30,677.

The Property Market in Chongqing

Chongqing is located in the central western part of China. According to CEIC Data Company Limited, as of December 31, 2019, Chongqing had a permanent resident population of approximately 31.2 million. In 2019, Chongqing's GDP reached approximately RMB2,361 billion. The table below sets out selected economic statistics of Chongqing for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions). . . .	579	653	793	1,001	1,141	1,278	1,426	1,572	1,774	1,942	2,036	2,361
GDP growth rate (%).	14.5	14.9	17.1	16.4	13.6	12.3	10.9	11.0	10.7	9.3	6.0	6.3
Per capita GDP (in RMB) . .	20,490	22,920	27,596	34,500	38,914	43,223	47,850	52,321	58,502	63,442	65,933	75,828
Per capita disposable income (urban) (in RMB)	14,368	15,749	17,532	20,250	22,968	23,049	25,147	27,239	29,611	32,193	34,889	37,939

Source: Chongqing Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 50.7 million sq.m. was completed in Chongqing in 2019, and a total GFA of approximately 61.0 million sq.m. was sold in 2018. The average property selling price per sq.m. in Chongqing in 2019 was approximately RMB8,402.

The Property Market in Shenyang, Liaoning Province

Shenyang is the capital of Liaoning Province in northeastern China. According to CEIC Data Company Limited, as of December 31, 2019, Shenyang had a permanent resident population of approximately 8.3 million. In 2019, Shenyang's GDP reached approximately RMB647 billion. The table below sets out selected economic statistics of Shenyang for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions). . . .	386	427	502	592	660	716	710	727	555	578	629	647
GDP growth rate (%).	16.3	14.1	14.1	12.3	10.0	8.4	(0.8)	3.3	(5.6)	3.5	5.4	4.2
Per capita GDP (in RMB) . .	49,166	54,654	62,357	72,648	80,480	86,850	85,816	87,734	66,893	69,754	N/A	77,777
Per capita disposable income (urban) (in RMB)	17,013	18,475	20,541	23,326	26,431	29,074	34,246	36,643	39,135	41,359	44,054	46,786

Source: Shenyang Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 6.6 million sq.m. was completed in Shenyang in 2018, and a total GFA of approximately 14.5 million sq.m. was sold in 2019. The average property selling price per sq.m. in Shenyang in 2018 was approximately RMB8,892.

The Property Market in Tianjin

Tianjin is located in the Bohai Rim of Northern China and is approximately 120 kilometers from Beijing, the capital of the PRC. Tianjin is one of the four municipalities directly under the administration of the central government of the PRC. According to CEIC Data Company Limited, as of December 31, 2019, Tianjin had a permanent resident population of approximately 15.6 million. In 2019, Tianjin's GDP reached approximately RMB1,410 billion. The table below sets out selected economic statistics of Tianjin for the periods indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions)	672	752	922	1,131	1,289	1,444	1,573	1,654	1,789	1,855	1,336	1,410
GDP growth rate (%)	16.5	16.5	17.4	16.4	13.8	12.5	10.0	9.3	9.1	3.6	3.6	4.8
Per capita GDP (RMB).	58,656	62,574	72,994	85,213	93,173	100,105	105,231	107,960	115,053	118,944	120,606	90,371
Per capita disposable income (urban) (RMB).	19,423	21,402	24,293	26,921	29,626	28,980	31,506	34,101	37,110	40,278	42,976	46,119

Source: Tianjin Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 16.6 million sq.m. was completed in Tianjin in 2019, and a total GFA of approximately 14.8 million sq.m. was sold in Tianjin in the same year. The average property selling price per sq.m. in Tianjin was RMB15,380 in 2019.

The Property Market in Yunnan

Yunnan Province is located in south-western China and shares its southern border with Burma, Laos and Vietnam. According to CEIC Data Company Limited, as of December 31, 2019, Yunnan had a permanent resident population of approximately 48.6 million. In 2019, Yunnan's GDP reached approximately RMB2,322 billion. The table below sets out selected economic statistics of Yunnan for the periods indicated.

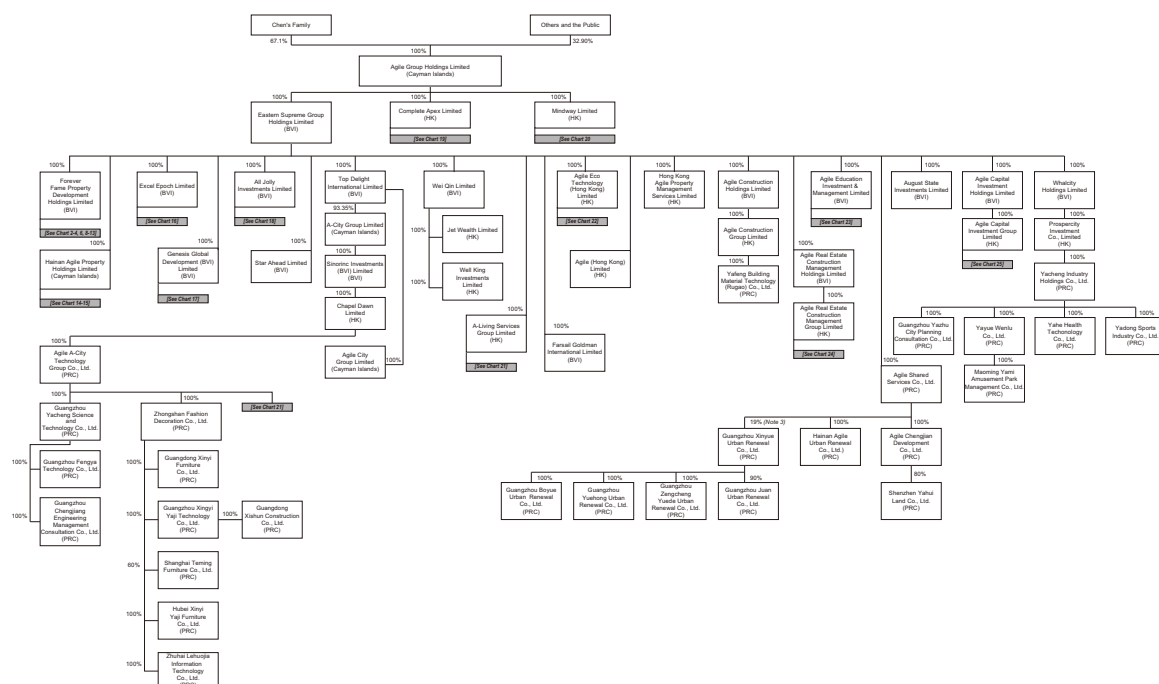
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (RMB in billions).	569	617	722	889	1,031	1,183	1,282	1,362	1,479	1,638	2,088	2,322
GDP growth rate (%).	10.6	12.1	12.3	13.7	13.0	12.1	8.1	8.7	8.7	9.5	8.9	8.1
Per capita GDP (RMB).	12,570	13,539	15,752	19,265	22,195	25,322	27,264	28,806	31,093	34,221	43,366	47,944
Per capita disposable income (urban) (RMB).	13,250	14,424	16,065	18,576	21,075	22,460	24,299	26,373	28,611	30,996	33,488	36,238

Source: Yunnan Bureau of Statistics and CEIC

According to CEIC Data Company Limited, a total GFA of approximately 18.4 million sq.m. was completed in Yunnan in 2019, and a total GFA of approximately 48.4 million sq.m. was sold in Yunnan in the same year. The average property selling price per sq.m. of properties in Yunnan in 2019 was RMB7,954.

CORPORATE STRUCTURE

The following charts show our corporate structure as of December 31, 2020.



* As of December 31, 2020, we had 244 non-PRC subsidiaries.

Subsequent to December 31, 2020, we have, in our ordinary course of business, incorporated or acquired certain onshore or offshore subsidiaries, which are not reflected in the corporate structure in this offering memorandum.

Note 1: The company have 2 types of shares. 45% of ordinary shares and 100% of non-voting shares held by Great Dawn Investments Limited. 55% of ordinary shares held by Yasheng Investment L.P.

Note 2: As of December 31, 2020, certain PRC subsidiaries had not fully paid their registered capital, including Wuhan Changkai Property Development Co., Ltd., Changzhou Jintan Agile Real Estate Development Co., Ltd., Zhenzhong Construction Group Co., Ltd., Hainan Agile Real Estate Development Co., Ltd., Tengchong Agile Resort Co., Ltd., Hainan Yaheng Real Estate Development Co., Ltd., Guangzhou Yayue Landscape Engineering Co., Ltd., Xishuangbanna Agile Resort Co., Ltd., Yangzhou Yaheng Real Estate Development Co., Ltd. and Wuxi Agile Real Estate Development Co., Ltd.

Note 3: As of December 31, 2020, Shares of certain PRC subsidiaries are pledged to banks, including Zhongshan Shiguang Chuangjian Real Estate Co., Ltd., Zhongshan Wenhua Real Estate Co., Ltd., Tianjin Yarun Real Estate Development Co., Ltd., Changzhou Lujing Real Estate Development Co., Ltd and Beijing Jinglin Garden Group Co., Ltd.

Note 4: The name of PRC companies are for identification purposes only.

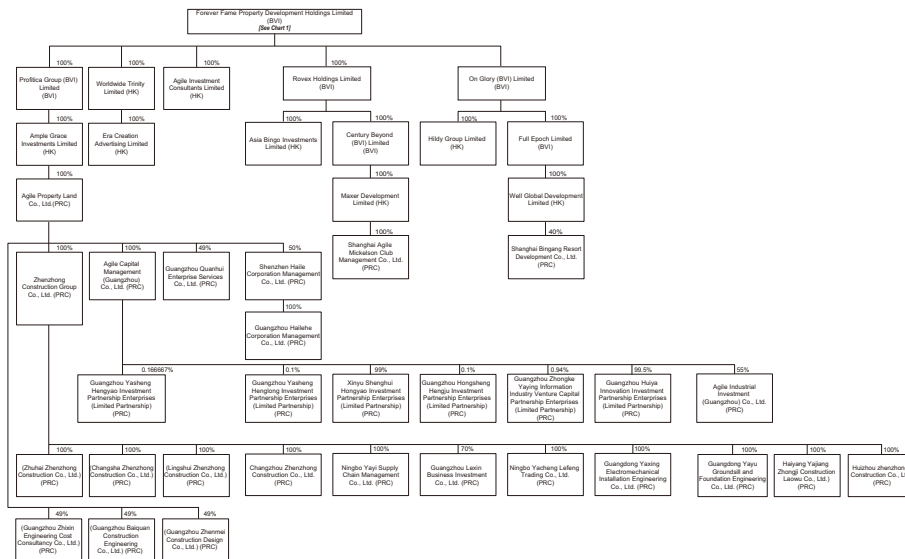


Chart 2

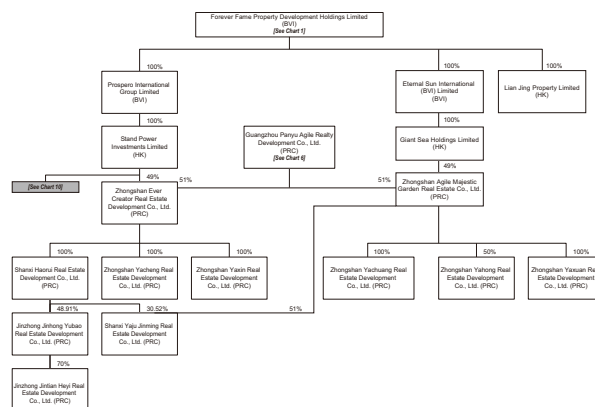


Chart 3

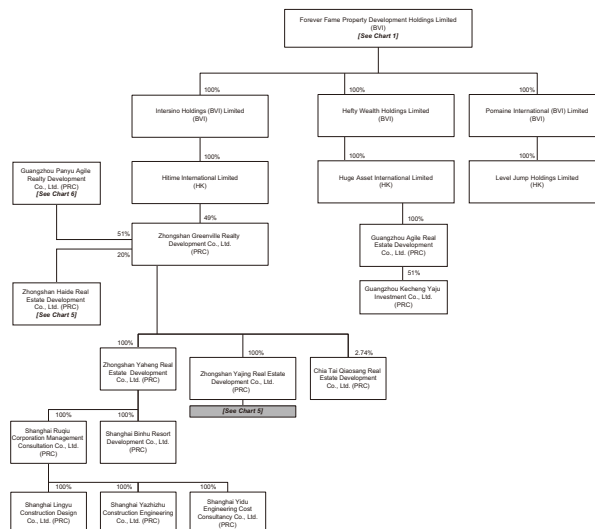


Chart 4

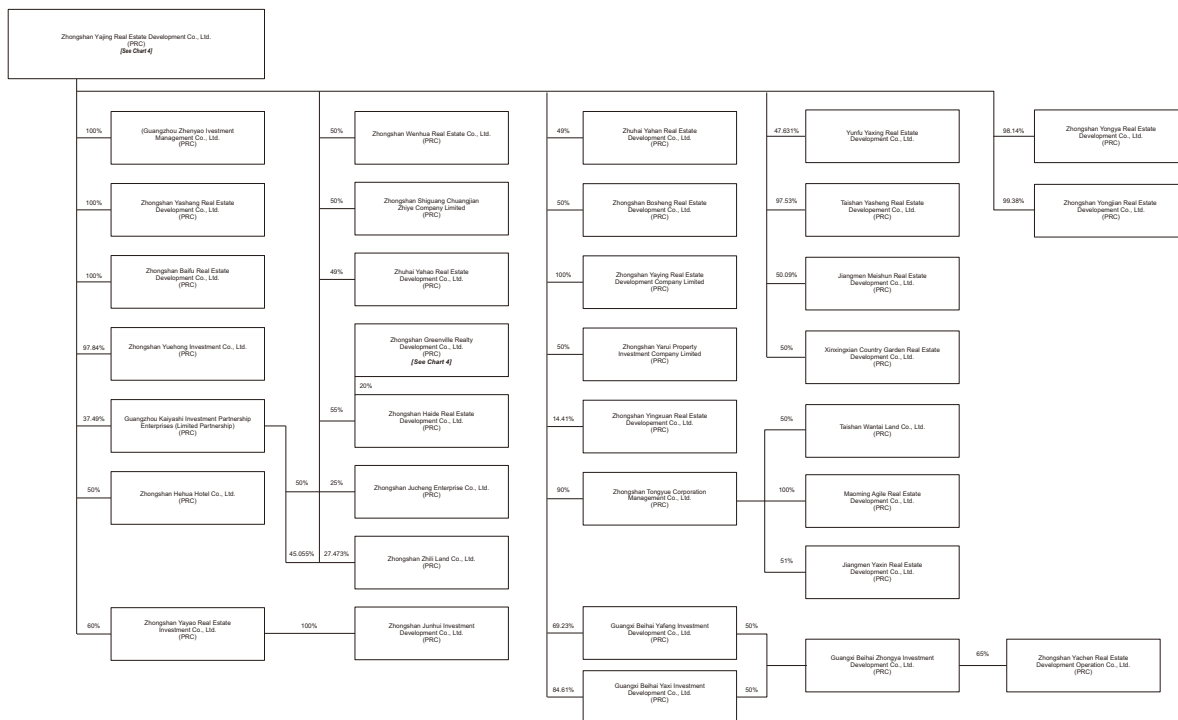


Chart 5

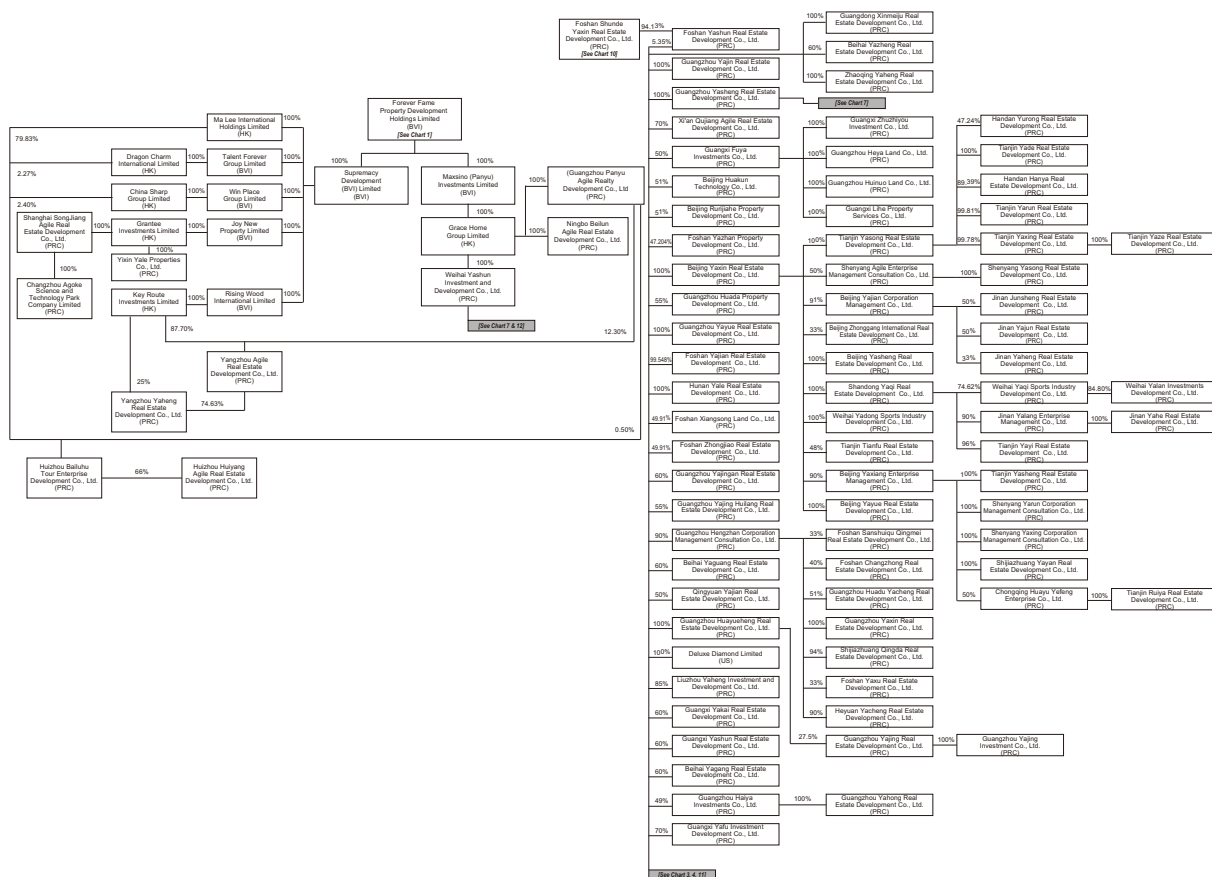


Chart 6

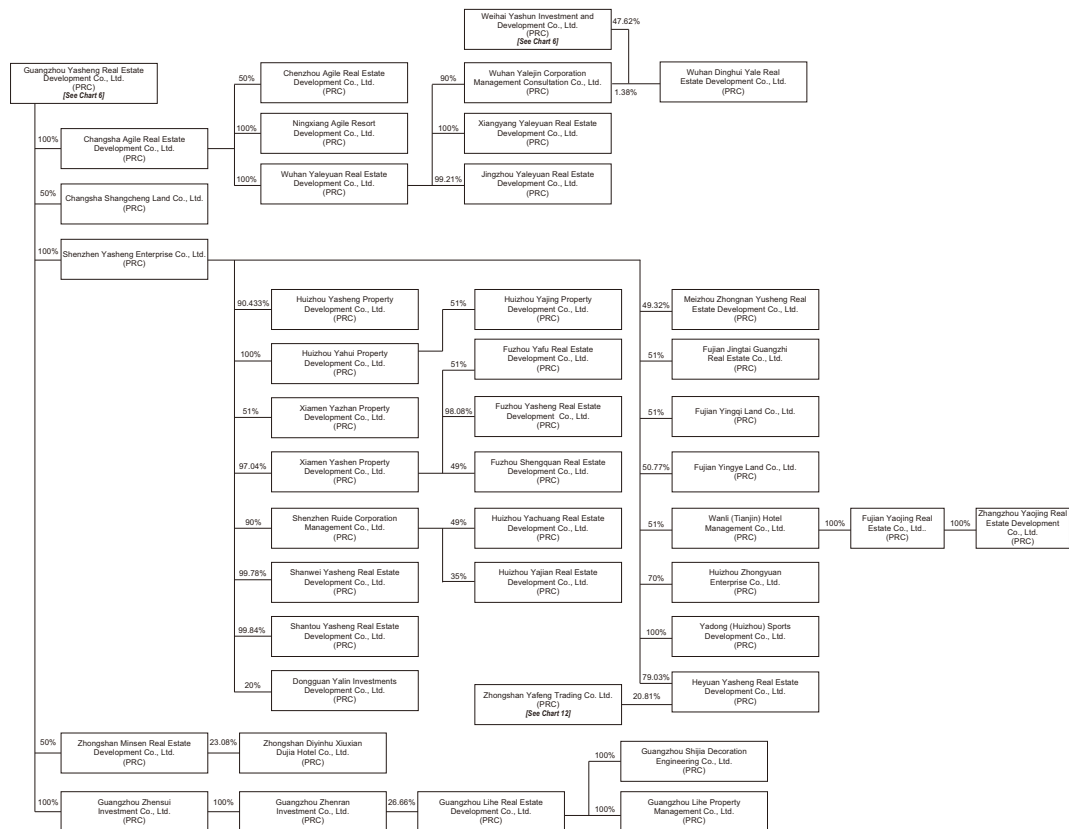


Chart 7

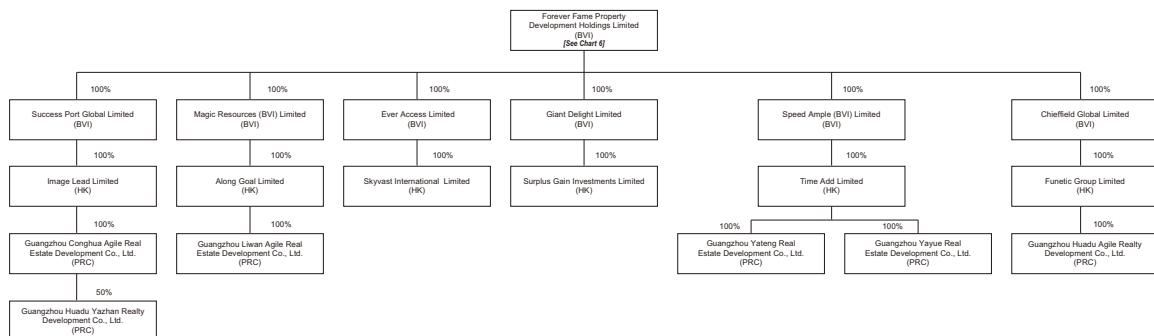


Chart 8

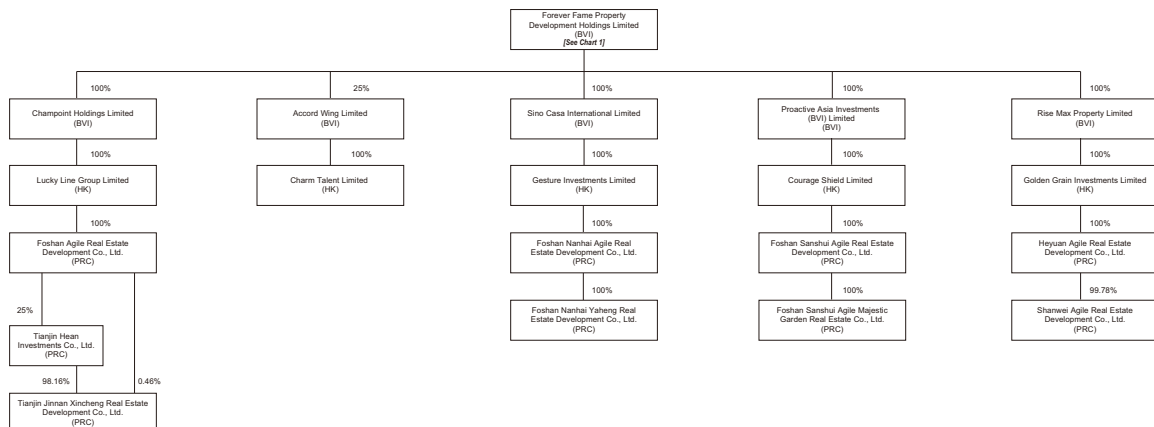


Chart 9





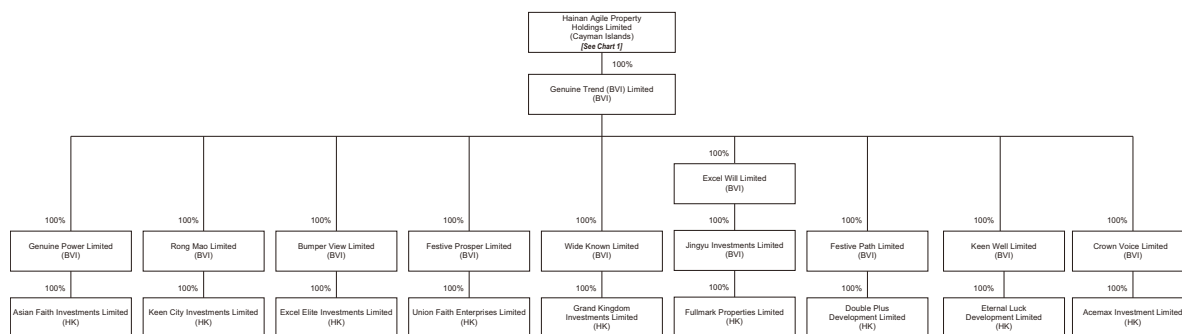


Chart 15

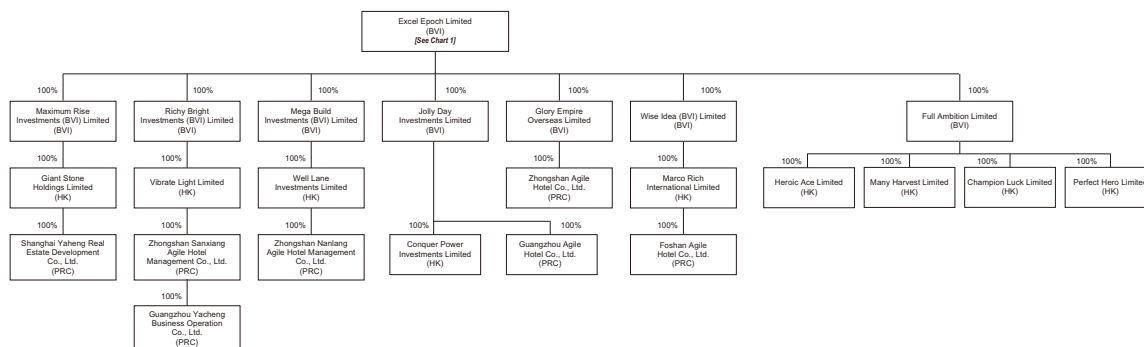


Chart 16

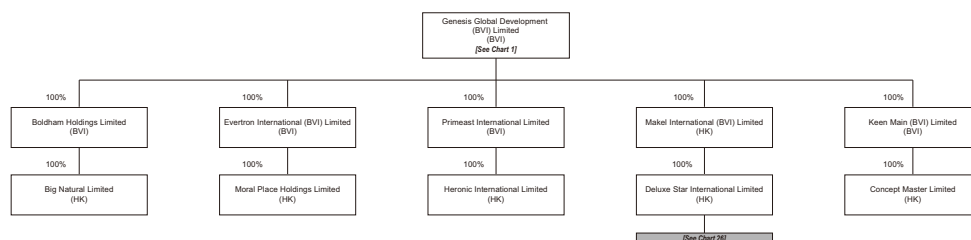


Chart 17

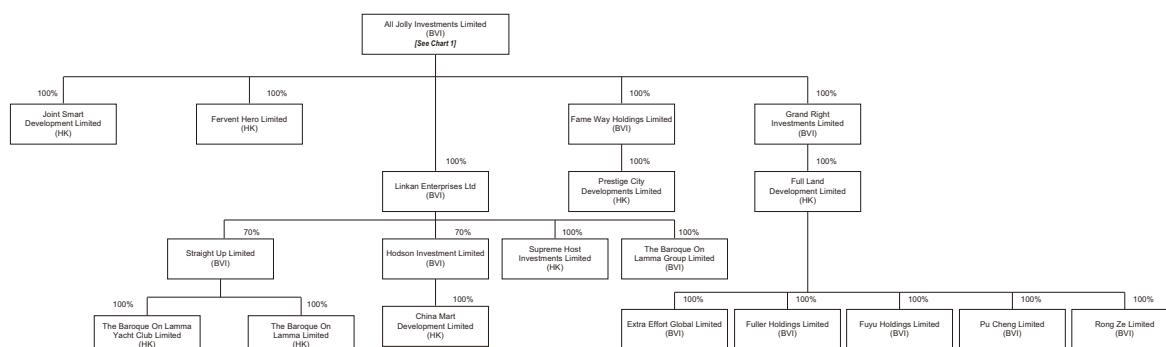


Chart 18

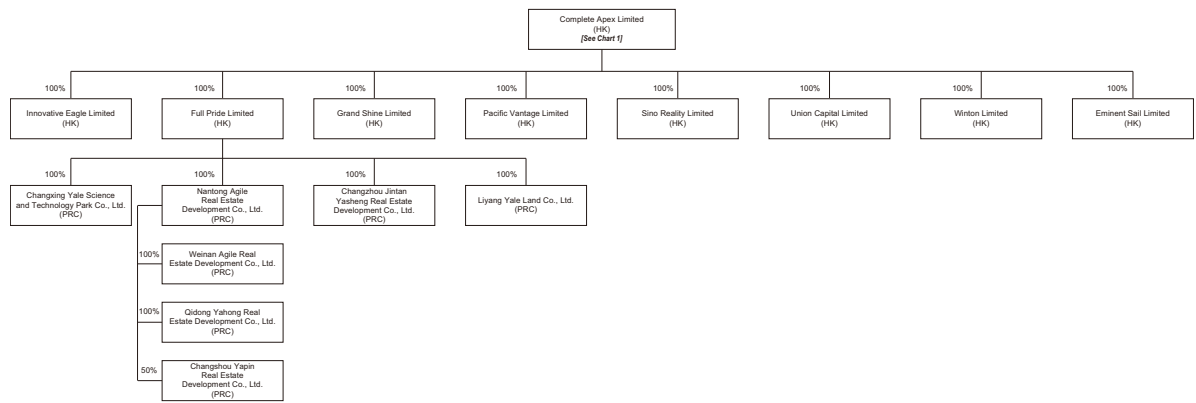


Chart 19

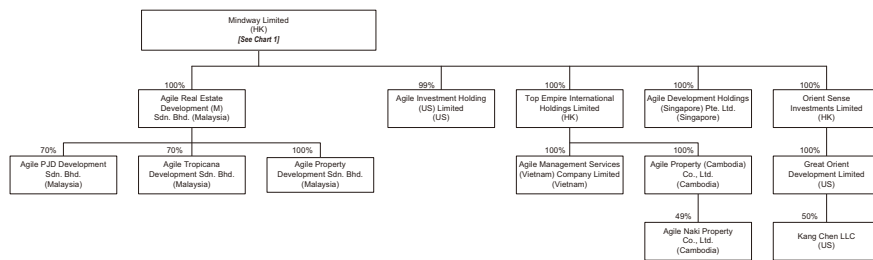


Chart 20



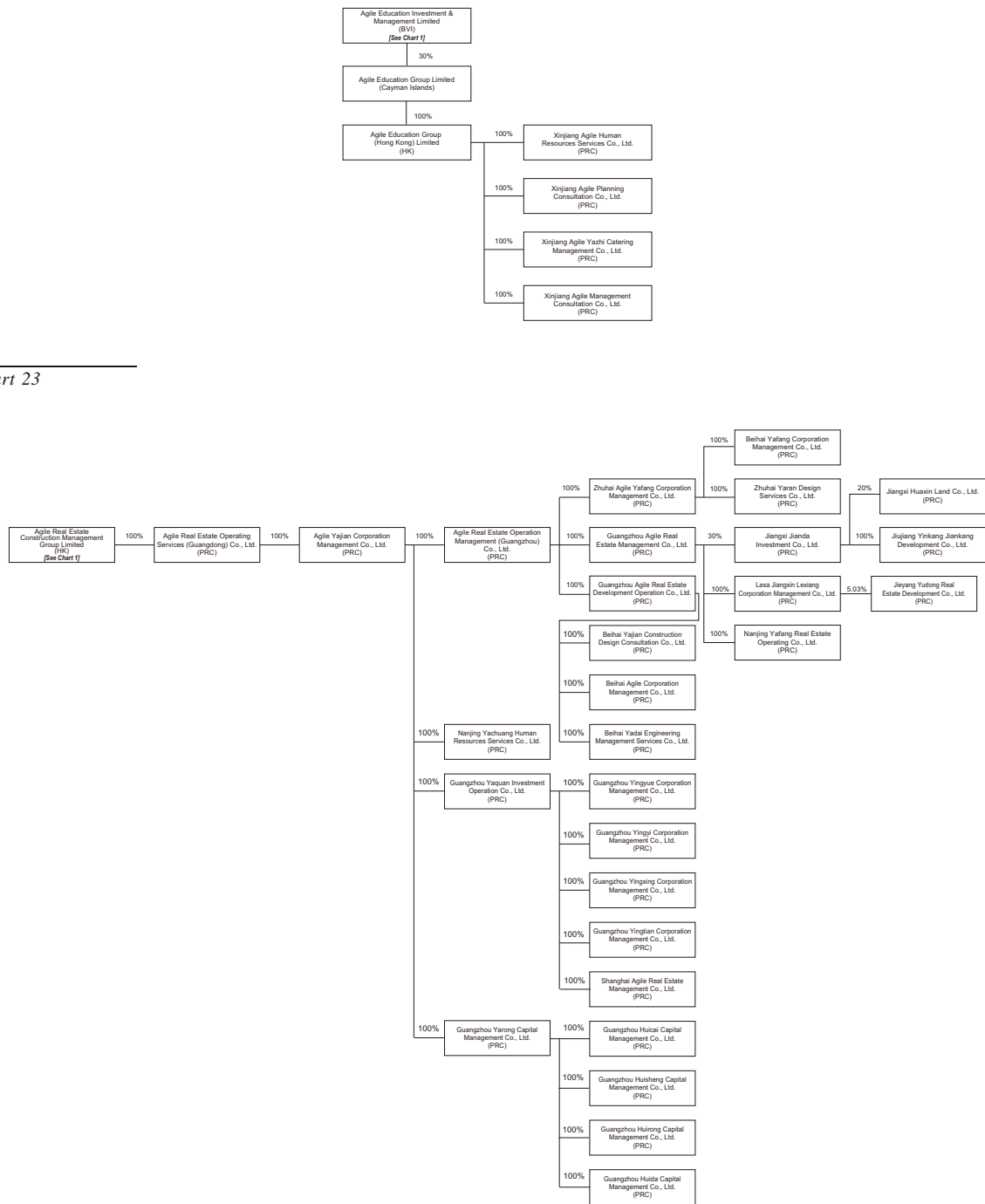


Chart 23

Chart 24

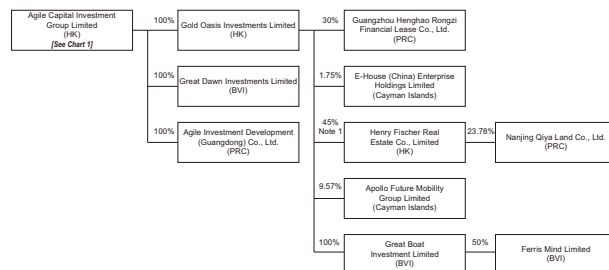


Chart 25

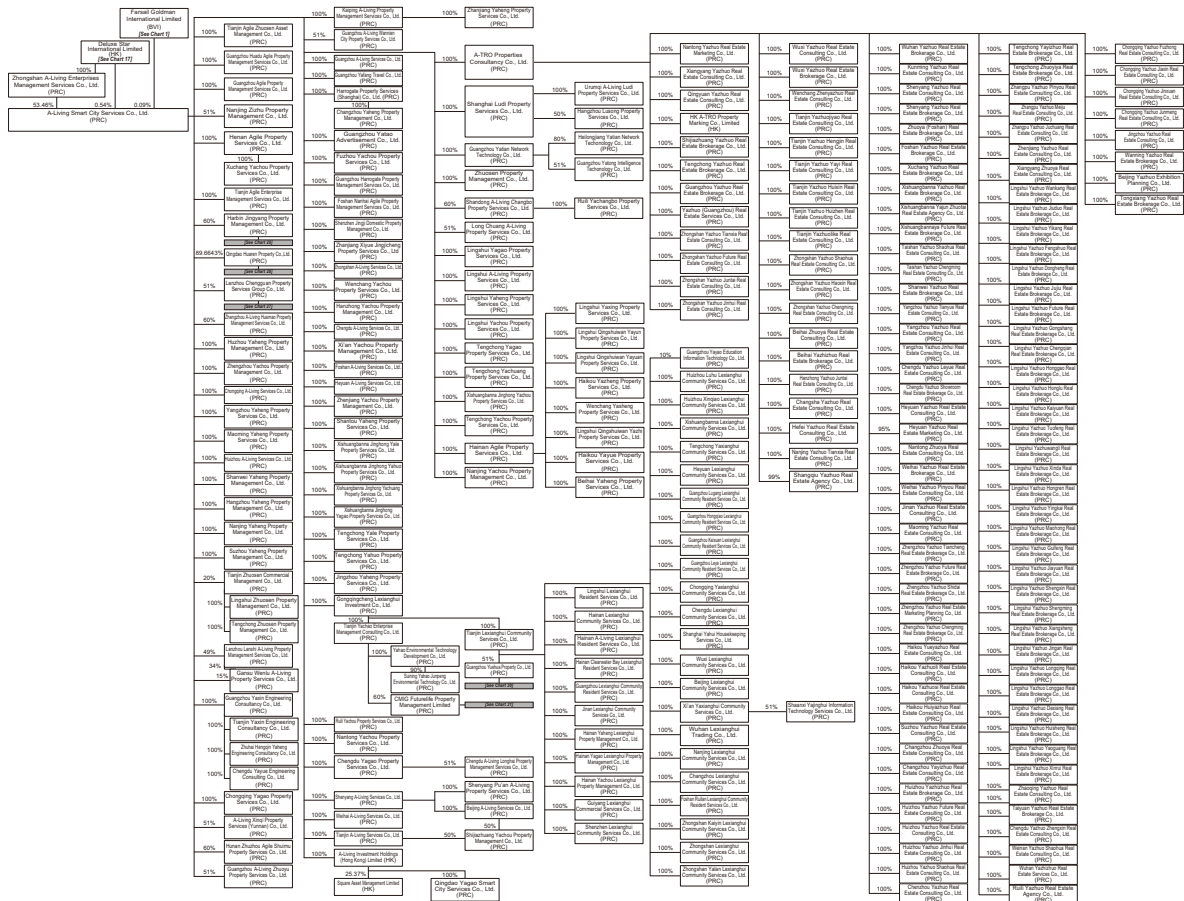


Chart 26

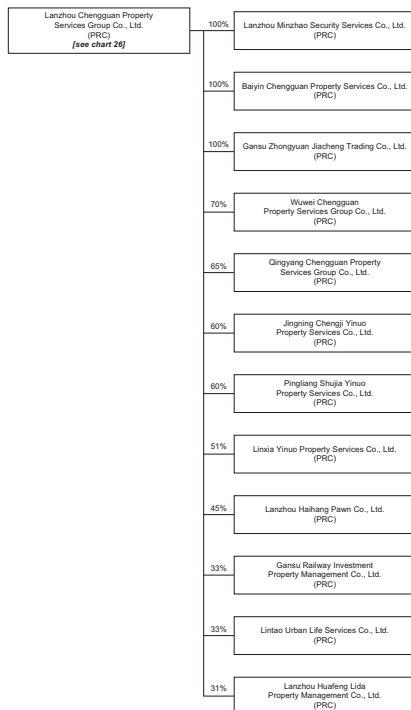


Chart 27

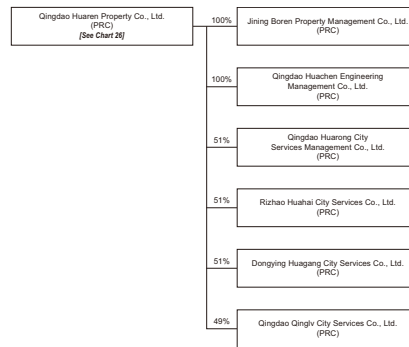


Chart 28

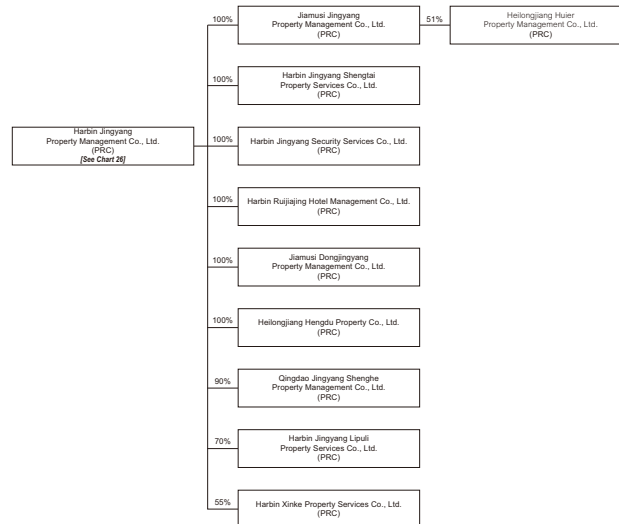


Chart 29

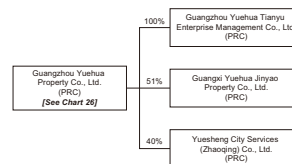


Chart 30

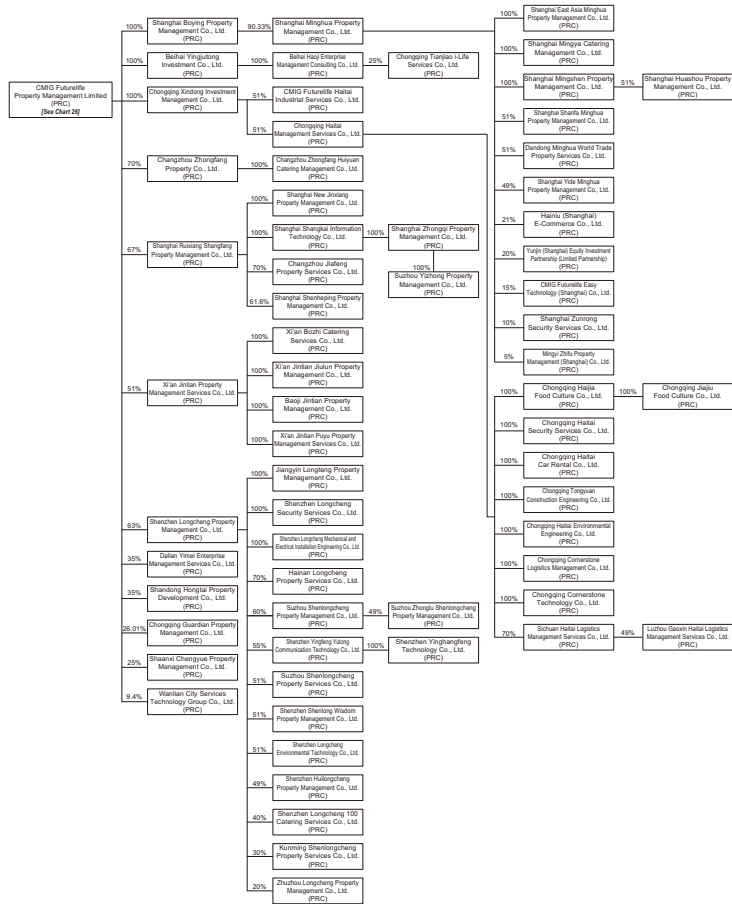


Chart 31

BUSINESS

OVERVIEW

We are a leading property developer in China. We focus primarily on the development of large-scale mixed-use property projects, with extensive presence in the businesses of property management, environmental protection, construction, real estate construction management and commercial projects. We believe our brand is well-recognized. We have received numerous awards and recognition, including most recently, “Headline NO. 1 Award 2019 — No. 1 China’s Property Developer in Greater Bay Area” by Headline Daily, “China Top 500 Private Enterprises” and “China Top 100 Private Service Enterprises” by All-China Federation of Industry and Commerce and “Hong Kong Outstanding Enterprises 2019 — Main Board Category” and “Extraordinary Enterprises Awards 2019” by Economic Digest magazine.

We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management and hotel operation services.

Our management team includes members with over 28 years of experience in the PRC real estate industry and has contributed to the growth of our business substantially since we first commenced property development activities in Guangdong Province in 1992. As of December 31, 2020, we had 205 projects within our land bank, 67 of which were located in Southern China region with a total planned GFA of approximately 17.0 million sq.m.; 62 in Eastern China region with a total planned GFA of approximately 11.4 million sq.m.; 21 in Western China region with a total planned GFA of approximately 4.3 million sq.m.; 21 in Central China region with a total planned GFA of approximately 5.3 million sq.m.; seven in Hainan Province with a total planned GFA of approximately 4.3 million sq.m.; seven in Yunnan Province with a total planned GFA of approximately 5.1 million sq.m.; two in Northeast China region with a total planned GFA of approximately 0.2 million sq.m.; 12 in Northern China region with a total planned GFA of approximately 5.0 million sq.m.; two in Hong Kong with a total planned GFA of approximately 20,199 sq.m.; two in Kuala Lumpur of Malaysia with a total planned GFA of approximately 303,134 sq.m.; one in Phnom Penh of Cambodia with a total GFA of approximately 50,640 sq.m. and one in San Francisco of the United States with a total planned GFA of approximately 10,674 sq.m. These 205 projects have an aggregate site area of approximately 56.1 million sq.m. and an aggregate planned GFA of approximately 53.0 million sq.m., which includes an aggregate GFA of approximately 2.7 million sq.m. of completed properties, an aggregate GFA of approximately 25.2 million sq.m. of properties under development and an aggregate GFA of approximately 25.2 million sq.m. of properties held for future development. Among the 205 projects, as of December 31, 2020, our project companies signed land grant or transfer documents or held other forms of interest with respect to 14 projects with an aggregate site area of approximately 1.8 million sq.m. and an aggregate GFA of projects of 3.8 million sq.m. We were in the process of applying for the land use rights certificates or the land titles with respect to such land.

For 2018, 2019 and 2020, the total GFA sold was approximately 4.7 million sq.m., 4.5 million sq.m. and 4.9 million sq.m., respectively. For 2018, 2019 and 2020, we recorded sales revenue from property development of RMB52,487.7 million, RMB54,177.2 million and RMB69,547.4 million (US\$10,658.6 million), respectively, and the net profit attributable to our equity holders was approximately RMB7,125.0 million, RMB7,511.8 million and RMB9,474.6 million (US\$1,452.0 million), respectively.

Since 2006, we have begun to expand our property development business to strategically selected cities outside the Southern China Region to other parts of China and overseas. We intend to continue the expansion of our presence in markets outside the Southern China region while maintaining our core focus in Southern China. We initiated our tourism property business in the Hainan and Yunnan regions in 2007 and 2012, respectively, in order to leverage the thriving tourism industry in these provinces to attract purchasers of vacation homes. In 2014, we further expanded our business outside of China with our first overseas project in Malaysia. In 2017, we acquired a project in Hong Kong. In 2019, we acquired one project in Phnom Penh, Cambodia. In 2020, we acquired a project in San Francisco of the United States. On a selective basis, we also engage in other complementary businesses, such as property management, the development and management of hotels, investment properties, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property

projects. On February 9, 2018, A-Living Services Co., Ltd. (“A-Living”), which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company, which we believe allows us to capitalize on our brand and further diversify the platforms through which we offer value-added services. As of December 31, 2020, the total GFA (except the GFA of associates and consultant projects) under management was 378.4 million sq.m. As of December 31, 2020, we have six hotels, three major shopping malls and two office buildings in operation. For 2020, revenue from our commercial management was RMB556.0 million (US\$85.2 million).

In recent years, we have entered into the environmental protection business to further diversify our sources of income and organically add value to our property development and management projects. Our environmental protection business primarily involves hazardous waste treatment, water treatment and common solid waste treatment. See “—Environmental Protection.” We also launched our real estate construction management business and completed the integration and restructuring of the construction business in 2018. See “—Construction” and “—Real Estate Construction Management.”

We are a constituent stock of the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Stock Connect Hong Kong Index Series, the Hang Seng High Dividend Yield Index, the Hang Seng Mainland China Companies High Dividend Yield Index, the Hang Seng Mainland Properties Index, the Hang Seng High Beta Index, the Hang Seng China (Hong Kong-listed) 100 Index, the MSCI China Index and the Lippo Select HK & Mainland Property Index.

The following table sets forth the geographical distribution of our 205 projects in terms of GFA completed, GFA under development and GFA held for future development within the land bank as of December 31, 2020:

	GFA Completed	%	GFA Under Development	%	GFA Held for Future Development	%
Southern China Region	910,618	34.3	7,404,766	29.4	8,636,757	34.3
Eastern China Region	489,038	18.4	5,062,027	20.1	5,815,673	23.1
Western China Region	135,065	5.1	2,526,969	10.0	1,655,949	6.6
Central China Region	56,425	2.1	3,009,590	12.0	2,271,917	9.0
Hainan Region	645,069	24.3	2,621,684	10.4	988,258	3.9
Yunnan Region	222,799	8.4	981,406	3.9	3,918,751	15.6
Northeast China Region	22,103	0.8	230,485	0.9	—	—
Northern China Region	177,275	6.7	2,983,057	11.8	1,860,177	7.4
Hong Kong	—	—	—	—	20,199	0.1
Overseas	—	—	364,448	1.4	—	—
Total	<u>2,658,392</u>	<u>100.0</u>	<u>25,184,433</u>	<u>100.0</u>	<u>25,167,680</u>	<u>100.0</u>

Recent Developments

COVID-19 Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The COVID-19 outbreak has affected our business operation and financial condition. During the four months ended April 30, 2020, our pre-sale value (including contracted sales and subscriptions) is RMB26.37 billion, representing a decrease of 23% when compared with the corresponding period of 2019 due to the impact of COVID-19. However, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. Strict measures have been imposed again to curb this potential outbreak. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See “Risk Factors—The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.”

Entering into Further Cooperative Instruments

In December 2020, certain of our subsidiaries (the “Agile Subsidiaries”), the relevant investors (the “Investors”) and the relevant project companies (the “Project Companies”) pursuant to which the relevant Agile Subsidiaries and the relevant investors shall jointly invest in the relevant project lands in accordance with the terms of the relevant cooperative instruments. Pursuant to the cooperative instruments, the relevant Investors have agreed to pay a total of RMB7,050,760,340.15 to the relevant Agile Subsidiaries as earnest monies for their respective acquisition of equity interest and/or loans. On February 11, 2021, the relevant Agile Subsidiaries, the relevant Investors and the relevant Project Companies have entered into the further cooperative instruments in respect of the relevant cooperative instruments, pursuant to which the total commitment by the Investors in respect of the Project Companies amounted to RMB6,072,071,764.5.

Entering into a Supplemental Agreement

On February 22, 2021, Tianjin Yachao Enterprise Management Consulting Co., Ltd. (the “Purchaser”), an indirect wholly-owned subsidiary of our Company, entered into a second supplemental agreement with vendor to adjust the remaining balance of the variable consideration in the amount of RMB240,975,000. Pursuant to the supplemental agreement, the Purchaser shall only be obliged to pay the remaining balance of the variable consideration in the amount of RMB99,892,200.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

Market leadership with a well-established track record

We are a leading property developer in China. According to research institutes such as the CRIC Research Center, we were among the top 30 PRC property developers in terms of pre-sales in 2020. We are one of the key players in Southern China region and our key markets include cities such as Zhongshan, Guangzhou, Huizhou and Foshan. Our sales performance in these cities remain strong. In Zhongshan, several of our projects ranked top 10 in terms of number of units sold, pre-sale value and GFA pre-sold in the local market in 2020 according to CRIC Research Center. In Guangzhou, we were one of the top 10 property developers in terms of presale amount in the local market in 2020 according to Yangguang Jia Yuan Research. In Huizhou, we were one of the top 20 property developers in terms of pre-sale value and number of units sold in the local market in 2020 according to WORLDUNION Research. In 2018, 2019 and 2020, pre-sale from Southern China region accounted for 34.6%, 32.2% and 31.3% of our pre-sale value during these years, respectively.

Since 2006, we have begun to expand outside of Southern China region to other parts of China and overseas. We have established our tourism property business in Hainan and Yunnan Region. Sales contribution from our tourism property business in Hainan and Yunnan Region and from outside of Southern China region have since grown steadily. In 2018, 2019 and 2020, pre-sale from our tourism property business accounted for 19.2%, 15.0% and 22.2% of our pre-sale value during these years, respectively, pre-sale from other regions outside of Southern China region and Hainan and Yunnan Provinces accounted for 46.2%, 52.8% and 46.5% of our pre-sale value during same years, respectively.

Diversified, sizeable and low-cost land bank

As of December 31, 2020, we had 205 projects within our land bank, 67 of which were located in Southern China region with a total planned GFA of approximately 17.0 million sq.m.; 62 in Eastern China region with a total planned GFA of approximately 11.4 million sq.m.; 21 in Western China region with a total planned GFA of approximately 4.3 million sq.m.; 21 in Central China region with a total planned GFA of approximately 5.3 million sq.m.; seven in Hainan Region with a total planned GFA of approximately 4.3 million sq.m.; Seven in Yunnan Province with a total planned GFA of approximately 5.1 million sq.m.; two in Northeast China region with a total GFA of approximately 0.2 million sq.m.; 12 in Northern China region with a total planned GFA of approximately 5.0 million sq.m.; two in Hong Kong with a total planned GFA of approximately 20,199 sq.m.; four in overseas with a total GFA of approximately 364,448 sq.m. These 205 projects have an aggregate site area of approximately 56.1 million sq.m., and an aggregate planned GFA of approximately 53.0 million sq.m., which includes an

aggregate GFA of approximately 2.7 million sq.m. of completed properties, an aggregate GFA of approximately 25.2 million sq.m. of properties under development and an aggregate GFA of approximately 25.2 million sq.m. of properties held for future development.

Most of our projects are located in municipalities and provincial capital cities, other second-tier and third-tier cities, and cities in the Hainan and Yunnan Region that are popular tourist destinations, where the respective property markets are still expanding and are less affected by macroeconomic control measures implemented by the PRC government as compared to first-tier cities, which afford us greater flexibility in adapting to the changes in market conditions. We also have projects located in first-tier cities in Beijing, Guangzhou and Shanghai. In addition, as of December 31, 2020, we had entered into contracts to acquire additional parcels of land with a total site area of 1.8 million sq.m. and an aggregate GFA of projects of 3.8 million sq.m. We were in the process of applying for the land use rights certificates or the land titles with respect to such land parcels. We leverage our management's extensive experience and in-depth industry knowledge and believe that most of our land acquisitions were well-timed and at relatively low or reasonable prices. For 2018, 2019 and 2020, our total land costs transferred to cost of sales amounted to approximately RMB7,432.1 million, RMB13,303 million and RMB16,446 million (US\$2,520.5 million), or 14.2%, 24.6% and 23.6%, respectively, of our sales revenue from property development. We believe our geographically diverse and low-cost land reserves allow us to diversify our product portfolio, access wider market segments, and reduce our exposure to market fluctuations.

Strong brand name recognition and a wide spectrum of high-quality products

We believe we have established a reputation as a provider of quality residential properties and comprehensive customer services with over 25 years of successful track record in the Chinese real estate sector. Numerous awards and recognition have been granted to recognize our success in this area. The more recent awards and recognition we received include, "Headline NO. 1 Award 2019 — No. 1 China's Property Developer in Greater Bay Area" by Headline Daily, "China Top 500 Private Enterprises" and "China Top 100 Private Service Enterprises" by All-China Federation of Industry and Commerce and "Hong Kong Outstanding Enterprises 2019 — Main Board Category" and "Extraordinary Enterprises Awards 2019" by Economic Digest magazine. We use various marketing methods to reach potential customers, including advertising through traditional media such as television and newspapers, online media as well as sponsoring performances and other public events.

We have pursued a long-term strategy of providing high-quality properties in a healthy and scenic living environment. A substantial portion of our property developments are located in suburban neighborhoods approximately a 15-to-30 minute drive from the urban centers, combining the more spacious and pleasant living environment in suburban areas with convenient access to transportation networks. Many of our projects are adjacent to natural scenery such as mountains, sea and lakes. For example, we expanded our operations into Yunnan Province with plans of developing property in popular tourist destinations to attract purchasers of vacation homes, given the region's pleasant weather, natural offerings of hot springs and red wood forests and local production of jade, gemstones, tobacco and tea. We also selected main sites for development in anticipation of local governments' plans for investing in transportation, tourist attractions and other public infrastructure, which we believe will enhance the desirability and growth potential of properties in the area.

We devote significant efforts to design and landscaping. We endeavor to design and create a modern living experience that is integrated with the surrounding environment. Our internal design team works closely with internationally and nationally renowned architects and designers. The collaboration has resulted in successful and thoughtful designs, such as man-made lagoons and residential units offering panoramic lake views. In most of our projects, there are areas specifically designated for children and the elderly. Some of our large developments such as Agile Mountain Guangzhou and Agile Garden Huiyang also have hill-top parks. We believe these characteristics distinguish our properties from those of our competitors. We offer a wide spectrum of products including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments. The majority of our products cater to end users including both first time home purchasers and upgraders. We have also developed several high-end residential projects and tourism property projects which target high-income households and purchasers of vacation homes, respectively. Our wide product range has allowed us to cater to the demands of a broad customer base and to respond effectively and rapidly to changing market conditions, thereby increasing our chance to secure demand for upgrades from our existing customers as their purchasing power improves.

Stable income from other segments

On a selective basis, we have also engaged in other businesses, such as property management, environmental protection, construction, real estate construction management and commercial, with a view to dispersing operational risks, and generating steady income. We have laid the foundation of our property management business by contracting to manage substantially all of our properties since the 1990s. Since 2015, we have made continuous effort to obtain contracts to manage properties developed by independent property developers and have developed a mature business model. For 2018, 2019 and 2020, revenue generated from property management were RMB2,132.8 million, RMB3,577.3 million and RMB7,852.7 million (US\$1,203.5 million), respectively. On February 9, 2018, A-Living, which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company. We have also been cautiously developing a commercial property portfolio including hotels, shopping malls and office buildings, which enhances the value and creates synergies for our nearby residential developments and generate additional recurring income for us. As of December 31, 2020, we had six hotels, three major shopping malls and two office buildings in operation. For 2018, 2019 and 2020, revenue from hotel operations were RMB721.7 million, RMB801.7 million and RMB346.1 million (US\$53.0 million), respectively. In 2018, 2019 and 2020, rental income from our investment properties, consisting of shopping malls and office buildings, amounted to RMB189.0 million, RMB172.6 million and RMB209.9 million (US\$32.2 million), respectively.

Extensive experience in large-scale multi-phase developments

We specialize in developing large-scale property projects in multiple phases, providing residents with a large residential community equipped with comprehensive facilities and amenities such as club houses, schools, shopping areas, restaurants and various sport facilities. Large-scale multi-phase residential developments not only allow us to benefit from economies of scale but also allow us to monitor market acceptance of our projects and receive early and ongoing customer feedback, thereby enabling us to adjust our product offerings and related property designs in response to the changing market demand. Moreover, we believe phase-by-phase development generally achieves higher selling prices and better profit margins in later development phases as the overall living environment improves with the maturity of such projects. Over the past 25 years, we believe we have accumulated the necessary skills, knowledge and experience to manage the development and sales of large scale multi-phase projects. Examples of large scale multi-phase projects include, among others, our La CitéGreenville Zhongshan (which was launched in 2002 with a site area of approximately 2.0 million sq.m.), Agile Garden Huiyang (which was launched in 2015 with a site area of approximately 1.2 million sq.m.), Agile Garden Chengdu (which was launched in 2007 with a site area of approximately 1.3 million sq.m.), Agile Dream Lake Fairy Hill Changzhou (which was launched in 2017 with a site area of approximately 0.7 million sq.m.), Agile Eden Yunnan (which was launched in 2013 with a site area of approximately 2.4 million sq.m.), Hainan Clearwater Bay (which was launched in 2009 with a site area of approximately 10.7 million sq.m.) and Agile champion Town Weihai (which was launched in 2019 with a site area of approximately 2.3 million sq.m.). Large-scale multi-phase projects generally require several years for development and completion and offer a wide variety of products and facilities, including villas, townhouses, mid- to high-rise apartments, services apartments, hotels and resorts and different ancillary facilities such as yacht club, shopping mall, commercial streets and schools.

Strong corporate governance and experienced management

Our management team comprises some individuals with over 25 years' experience in the PRC real estate industry. Mr. Chen Zhuo Lin, our Chairman, President and founder, received several honorary awards, including "World Outstanding Chinese Award (世界傑出華人獎)", "Top 30 Chinese Philanthropists in 30 Years of Reform (改革開放30年·華人慈善30人)", "China Philanthropy Outstanding Contribution Individual Award (中華慈善突出貢獻人物獎)", Top 10 Persons of the Year for China Enterprise Management Excellence Award (中國企業十大卓越管理年度人物)", "Year of the People in Education of Zhongshan (中山教育年度人物)" and "Honorary Resident in Zhongshan (中山市榮譽市民)". Mr. Chan Cheuk Hung, our executive Director and Vice President, has received several honorary awards, including "Honorary Resident in Foshan (佛山市榮譽市民)" and "Community Construction Outstanding Contribution Award (小區建設突出貢獻獎)" in National Xiaokang Housing Demonstration Community Competition (國家小康住宅示範小區評比) hosted by Ministry of Construction (國家建設部) in 2000. Most of the other key members of the board of directors of the Company (the "Board") have served our Company since the 1990s, and some senior management has worked with us for more than ten years. We believe the stability of our management team and its extensive experience, industry knowledge and in-depth understanding of the property market enable us to continue to take advantage of future business opportunities and expand into new markets.

In order to improve overall operational efficiency, we have adopted a two-tiered management structure split between central management and regional offices. Central management formulates overall strategy, establishes standard operating procedures, policies and operational targets, controls the capital transfer, and is responsible for the standardization of products. Regional offices oversee the execution of regional businesses and carry out the day-to-day operations of their respective projects. We believe our centralized management system optimizes our capacities and resources, enhances our negotiating power with suppliers and contractors and facilitates the sharing of resources and expertise among various projects. With the expanding scale and scope of our business, in order to enhance our operating efficiency, the regional offices have been given higher degree of autonomy and greater flexibility in day-to-day operations. In addition, we have been investing in state-of-the-art technologies and computer systems to support and integrate the operations and decision-making process. In particular, our award-winning Enterprise Resource Planning platform and its implementation over the past few years has been key to the management control of our cost control, sales and marketing as well as finance departments.

In light of the on-going market changes in recent years, we have been adopting a steady and responsible policy for our operations and development and aim to maintain effective and prudent corporate governance and continue to improve our internal monitoring and control system. We believe sound and prudent corporate governance will enhance our credibility and transparency.

BUSINESS STRATEGIES

We plan to further diversify our “1+N” business model, which is to strengthen our position in the property development business and accelerate the development of other businesses. We are also aiming to improve our execution, operational efficiency and overall management quality. We intend to achieve our overall business objectives by pursuing the following strategies:

Optimize land bank with an active but prudent land acquisition strategy

A premium land bank is the cornerstone of the property business. We intend to further improve our geographic diversification by adopting an active but prudent land acquisition strategy, with priority given to cities located in regions where we saw long-term strong sales performance and competitive edge, as well as in first- and second-tier cities and quality satellite third-tier cities in core city clusters. We consider those cities to be the fast developing regions in China with great economic growth potential and expect a strong demand for housing in these regions over the mid- to long-term. We believe we benefit from our well-established brand reputation in these regions. Historically, we have acquired most of our land through tender, auction and listing-for-sale. Since 2016, we have acquired land parcels through equity acquisitions in order to replenish our land bank at a more competitive price. We will continue to replenish our land bank strategically with an aim to maintain steady and sustainable growth of our property development business. We will also seek to develop featured towns projects and urban renewal projects so as to further expand our market share.

Enhance overall management to maximize profits

We aim to enhance our overall management and execution capability by further streamlining the decision-making process and strengthening control on expenses with a focus on efficiency and sustainable growth. We will continue to control costs through product standardization and will implement strict construction management to ensure effective management of resources for sales. We will continue adopting a multi-pronged strategy in promoting project development efficiency and lowering inventory level through sales-based production and dynamic adjustments. We believe, with these measures, we will be able to maximize profits for our property development business.

Further expand A-Living with diversified value-added services

We intend to expand our property management business and further increase our market share in this industry. Leveraging our experience in managing our own properties, we have obtained contracts to manage properties developed by independent property developers since 2015. We will continue to increase the total contracted GFA under our management by obtaining more new property management contracts. At the same time, we intend to selectively explore strategic investment and acquisition opportunities to further enhance our property management business. In June 2017, A-Living acquired Shanghai Greenland Property Services Co., Ltd. from Greenland Group. In August 2017, Greenland Group became the long-term strategic shareholder of A-Living through the capital injection in A-Living. We also intend to devote more resources to improve the services of our “A-Steward” online platform, to further improve the quality of life of residents of the properties we manage. On February 9, 2018, A-

Living was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company. In 2018, A-Living fully re-organized our existing business lines to form a new landscape of integrated development of three business segments, namely the “property management services”, “asset management services” and “community commercial services”. We also deepened the development model of “focusing on property management while developing a variety of other businesses”, and recorded historic breakthroughs in the first year after the Listing of A-Living with leapfrog growth in various operational indicators, stable furtherance of investment and mergers and acquisitions, and ranked top 10 in the PRC in terms of its comprehensive strength and was awarded the “TOP 8 Property Management Companies of the PRC in terms of Comprehensive Strength”. We believe our property management business may further profit from our efforts to increase the amount of total contracted GFA under our management and improve popularity of our online platform.

Increase our competitive edge in other businesses, including A-Living, environmental protection, construction, real estate construction management and commercial

We will further drive our diversified development and increase our competitive edge in other businesses including A-Living, environmental protection, construction, real estate construction management and commercial. In respect of environmental protection, we have established diversified environmental protection business covering hazardous waste treatment, water treatment and common solid waste treatment. We will continue to acquire premium projects, with a view to increasing its contribution to our profit while ensuring long-standing and steady operation and sustainable development. In respect of construction business, we plan to leverage our expertise in home decoration and landscape planning and design to further reinforce the industry position and expand our business on an on-going basis. In respect of real estate construction management business, we will fully capitalize on the strength of our brand to develop agent construction business with Agile’s characteristics while continuing to acquire premium real estate construction management projects. In respect of commercial business, we will further integrate our existing assets and adjust the development direction for commercial, office, hotel and self-used properties in light of the market environment, with a view to expanding our scale, increasing our revenue and contribution to the Group’s income.

Strengthen our brand recognition nationwide and overseas

We intend to continue to strengthen our established brand name both in and outside China. A key factor to our brand-building effort is to continuously focus on the value of our properties by providing high-quality products, stylish design and comprehensive property management services to create a comfortable modern living experience. We believe customer satisfaction and referrals have been and will continue to be an effective channel to enhance our reputation. In addition, we intend to strengthen our brand image and market awareness overseas through developing property projects with international business partners. In 2014, we partnered with PJD Development Holdings Berhad and Tropicana Corporation Berhad respectively to develop two projects in Kuala Lumpur, Malaysia. In 2017, we acquired a project in Hong Kong. In 2019, we acquired one project in Phnom Penh, Cambodia. In 2020, we acquired one project in San Francisco of the United States. We also continue to operate two renowned brands, Agile Property Management and Greenland Property Services, through our recently listed subsidiary A-Living.

DESCRIPTION OF PROPERTY DEVELOPMENTS

As of December 31, 2020, we had 205 projects at various stages of development within our land bank (as listed below), 67 of which were located in Southern China region; 62 in Eastern China region; 21 in Western China region; 21 in Central China region; seven in Hainan Province; seven in Yunnan Province; two in Northeast China region; 12 in Northern China region; two in Hong Kong; four in overseas. From time to time we review and consider potential projects for development in various cities in mainland China. We divide our property developments into three categories: (i) completed properties; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments, one project may include different phases that are at various stages of development and completion. As of December 31, 2020, we had, in terms of GFA of our 205 projects within our land bank, completed but undelivered properties of approximately 2.7 million sq.m., properties under development of approximately 25.2 million sq.m. and properties held for future development of approximately 25.2 million sq.m..

We seek to replenish our land reserves on a continuous basis and generally have on-going land acquisitions at various stages of the acquisition process. Among the 205 projects, as of December 31, 2020, our project companies signed land grant or transfer documents or held other forms of interest with

respect to 14 projects with an aggregate site area of approximately 1.8 million sq.m. and an aggregate GFA of projects of 3.8 million sq.m. We cannot, however, assure you that we will be able to obtain the land use rights certificates or the land titles in respect of these pieces of land in a timely manner, or at all.

A property development is considered completed when we have received completion certificates or reports from the relevant construction authorities. These certificates are typically issued when we have obtained approval certificates from the bureaus of zoning, fire services and environmental protection, signed guarantees of construction quality from contractors and other documents required by applicable laws and regulations. A property is considered to be under development immediately following the issuance of the Notice to Proceed with Civil Engineering Project with respect to the property and before completion of the property. Typically, we issue the Notice to Proceed with Civil Engineering Project to our contractors to commence the construction works after we have applied for construction to the local authorities.

The site area information of an entire project is based on the relevant land use rights certificates. The aggregate GFA of an entire project is calculated by multiplying its site area by the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project or such lower plot ratio that we reasonably expect to be able to develop for such project. Unlike the above-ground and semi-underground car parks, underground car parks generally are not included in a project's total GFA. The aggregate GFA of a project includes both saleable and non-saleable GFA. Saleable GFA refers primarily to the areas of residential units (including internal floor area and common areas in the building that are exclusively allocated to such residential units) and retail shops. Non-saleable GFA refers to certain communal facilities, including, among others, club houses and schools.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. A property is pre-sold when we have executed the purchase contract but physical delivery of the property to the purchaser has not been made. GFA with respect to which revenues are recognized in any given period is based on our internal records. Information regarding land costs and development costs in this offering memorandum is based solely on our internal records or estimates.

The table below sets forth certain information of our 205 projects as of December 31, 2020.

			Land Bank (sq.m.) (Note 1)						
			Development Stage (B)						
No.	Project Name	City	Interests	Total Site Area of the Project	Total Planned GFA of the Project	Total Planned GFA	Completed	Under Development	Held for Future Development
			Attributable to the Group (Note 3)						
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
Southern China Region									
1	Guangzhou Asian Games City Project.	Guangzhou	26.66%	2,640,000	4,380,000	2,358,157	—	1,964,943	393,214
2	Agile Mountain Guangzhou.	Guangzhou	100%	306,812	613,624	541	541	—	—
3	Agile Haizhu Xiaoya Guangzhou. . . .	Guangzhou	100%	13,660	68,121	1,398	1,398	—	—
4	Agile Skyline 715 Guangzhou (Formerly known as Guangzhou Liwan District Project).	Guangzhou	100%	21,908	91,656	91,656	—	91,656	—
5	Agile Huadu County Guangzhou (Formerly known as Guangzhou Huadu District Project)	Guangzhou	100%	67,260	97,814	97,814	—	97,814	—
6	Guangzhou Yingbin Avenue Project . .	Guangzhou	49%	126,140	289,884	289,884	—	114,437	175,447
7	Agile Riverside Guangzhou (Formerly known as Guangzhou Conghua District Project)	Guangzhou	100%	30,148	86,848	86,848	—	86,848	—
Guangzhou Subtotal				3,205,928	5,627,947	2,926,298	1,939	2,355,698	568,661
8	La Cité Greenville Zhongshan	Zhongshan	100%	1,970,275	1,889,961	8,293	8,293	—	—
9	Metro Agile Zhongshan.	Zhongshan	100%	1,476,285	3,519,253	406,893	41,220	325,023	40,650
10	Zhongshan Minzhong Town Project . .	Zhongshan	100%	63,450	95,175	95,175	—	—	95,175
11	Agile Cambridgeshire Zhongshan. . . .	Zhongshan	100%	375,357	1,444,668	386,478	2,815	76,411	307,252
12	Agile Royal Mount Zhongshan.	Zhongshan	100%	563,253	1,126,505	6,667	6,667	—	—
13	Zhongshan Kunlun Hotel Project.	Zhongshan	100%	29,267	87,801	87,801	—	—	87,801
14	Agile Coastal Pearl Zhongshan.	Zhongshan	100%	338,892	677,782	1,665	1,665	—	—
15	Zhongshan Haotousha Project	Zhongshan	100%	83,483	60,813	55,679	—	—	55,679
16	Agile River Pearl Zhongshan.	Zhongshan	100%	27,868	69,316	4,272	4,272	—	—
17	Crescent Hill Center City Zhongshan .	Zhongshan	50%	181,667	454,167	102,198	82,699	19,499	—
18	Zhongshan Dongcheng Lufeng Project .	Zhongshan	50%	162,795	347,086	347,086	—	—	347,086
19	Mont Orchid Riverlet Zhongshan	Zhongshan	60%	131,863	395,588	190,744	59,954	130,790	—
20	Agile Diyin Lake Town Zhongshan . . .	Zhongshan	50%	478,955	823,803	688,656	3,192	36,449	649,015
21	Weilan Siji Zhongshan	Zhongshan	50%	40,865	122,596	122,596	—	122,596	—
22	Zhongshan Bosheng Project	Zhongshan	50%	45,016	118,564	118,564	—	118,564	—
23	The Leading World Zhongshan.	Zhongshan	50%	35,993	71,986	222	222	—	—
24	Shenzhen One Zhongshan	Zhongshan	50%	180,718	451,795	451,795	—	—	451,795
25	Zhongshan Hehua Hotel Project	Zhongshan	50%	64,536	129,072	95,620	—	—	95,620
26	Agile Starry Jade Zhongshan.	Zhongshan	15%	47,097	117,742	52,473	52,473	—	—
27	Agile City of Lohas Zhongshan	Zhongshan	100%	69,808	154,987	13,292	13,292	—	—
28	Zhongshan Dongfeng Town Project . . .	Zhongshan	100%	669,960	1,490,400	1,288,419	—	—	1,288,419
29	Zhongshan Cuiheng New District Project	Zhongshan	65%	245,526	919,016	919,011	—	—	919,011
30	Agile Garden Guzhen.	Zhongshan	100%	26,799	80,398	80,398	—	80,398	—
Zhongshan Subtotal				7,309,728	14,648,474	5,523,996	276,763	909,730	4,337,502
31	Agile International Garden Zhuhai	Zhuhai	49%	83,997	206,494	192,372	51,361	141,011	—
Zhuhai Subtotal				83,997	206,494	192,372	51,361	141,011	—
32	Park Irisation Jiangmen	Jiangmen	51%	44,033	110,083	45,360	2,376	42,984	—
33	Agile Honorable Mansion Jiangmen . .	Jiangmen	51%	29,372	63,525	63,525	—	63,525	—
34	Agile Chairman Taishan	Jiangmen	50%	29,257	73,142	37,005	19,310	17,695	—
35	Agile Garden Taishan.	Jiangmen	100%	58,411	146,026	69,697	6,583	63,114	—
36	Taishan Taicheng District Project . . .	Jiangmen	100%	34,387	96,284	96,284	—	96,284	—
Jiangmen Subtotal				195,460	489,060	311,871	28,269	283,602	—
37	Majestic Garden Nanhai	Foshan	100%	601,230	859,757	3,065	3,065	—	—
38	Agile Personage Nanhai	Foshan	100%	44,786	143,315	1,817	1,817	—	—
39	Agile Sunday Nanhai	Foshan	100%	35,337	88,342	88,342	—	88,342	—
40	Agile Chairman Sanshui	Foshan	50%	64,599	245,190	1,117	1,117	—	—
41	Pleasure Mansion Sanshui	Foshan	33%	79,015	252,846	252,846	—	182,055	70,791
42	Qingyue Shunde.	Foshan	40%	81,455	203,638	203,638	—	137,404	66,234
43	Agile Garden Shunde.	Foshan	100%	212,410	488,500	1,529	1,529	—	—
44	Agile Mix City Shunde.	Foshan	100%	62,515	143,126	106,841	18,929	87,912	—
45	Agile Cambridgeshire Shunde	Foshan	50%	110,833	310,332	166,477	13,539	152,939	—
46	Emerald Park Foshan	Foshan	33%	81,136	243,407	243,407	139,993	103,414	—
Foshan Subtotal				1,373,315	2,978,453	1,069,078	179,988	752,065	137,025

			Land Bank (sq.m.) (Note 1)						
			Development Stage (B)						
No.	Project Name	City	Interests	Total Site Area of the Project (sq.m.)	Total Planned GFA of the Project (sq.m.)	Total Planned GFA (A) (sq.m.)	Completed (B1)	Under Development (B2)	Held for Future Development (B3)
			Attributable						
			to the Group (Note 3) (sq.m.)						
47	Agile Egret Lake Huizhou	Huizhou	100%	2,000,000	2,000,000	704,545	9,416	200,539	494,590
48	Agile Lohas World Huizhou	Huizhou	49%	24,792	76,855	76,855	—	76,855	—
49	Violet Castle Huizhou	Huizhou	35%	88,844	222,110	222,110	—	222,110	—
50	Agile Garden Huiyang	Huizhou	66%	1,248,191	2,995,658	1,598,206	69,927	265,024	1,263,255
51	Agile Duhuiya County Huizhou	Huizhou	70%	55,000	196,508	196,508	—	196,508	—
Huizhou Subtotal				3,416,827	5,491,131	2,798,224	79,343	961,037	1,757,845
52	Agile HK City Zhaoqing	Zhaoqing	100%	287,781	700,758	700,758	—	219,005	481,753
Zhaoqing Subtotal				287,781	700,758	700,758	—	219,005	481,753
53	Agile Garden Heyuan	Heyuan	100%	1,364,741	2,729,481	430	430	—	—
54	Agile Kylin Mansion Heyuan	Heyuan	100%	113,202	283,612	97,204	11,842	85,362	—
55	Heyuan Dongyuan County Central District Project	Heyuan	51%	60,704	151,760	151,760	—	—	151,760
56	Agile Chairman Shantou	Shantou	100%	78,193	351,869	351,869	—	142,350	209,519
57	Agile Costal Pearl Shanwei	Shanwei	100%	183,407	416,914	379,841	31,170	183,108	165,563
58	Fenghui Meizhou	Meizhou	50%	44,774	116,412	116,412	—	116,412	—
Eastern Guangdong Subtotal				1,845,021	4,050,048	1,097,515	43,442	527,232	526,842
59	Agile Honorable Mansion Zhanjiang	Zhanjiang	100%	20,058	60,027	3,609	3,609	—	—
60	Agile City Pearl Maoming	Maoming	100%	21,463	64,390	2,961	2,961	—	—
61	Agile Lohas New City Maoming	Maoming	100%	86,400	207,255	207,255	—	116,416	90,839
62(A)	Elite Residence Yunfu Project A	Yunfu	50%	112,669	338,006	265,975	5,667	260,309	—
62(B)	Elite Residence Yunfu Project B	Yunfu	50%	44,069	132,222	98,148	17,422	80,726	—
63	Jieyang Jiedong District Project	Jieyang	5%	46,599	157,982	157,982	—	157,982	—
Western Guangdong Subtotal				331,257	959,882	735,931	29,659	615,433	90,839
64	City of Lohas Qingyuan	Qingyuan	50%	53,331	111,995	111,995	—	111,995	—
65	Agile County Qingyuan	Qingyuan	40%	166,700	466,760	466,760	—	278,275	188,485
Northern Guangdong Subtotal				220,031	578,755	578,755	—	390,270	188,485
66	Agile International Financial Center Nanning	Nanning	50%	56,736	375,446	219,854	219,854	—	—
67	Agile Golden Bay Beihai	Beihai	60%	420,450	797,489	797,489	—	249,683	547,806
Guangxi Subtotal				477,186	1,172,935	1,017,343	219,854	249,683	547,806
Southern China Region Subtotal				18,746,530	36,903,936	16,952,141	910,618	7,404,766	8,636,757
Eastern China Region									
68	Agile Chang Le Du Nanjing	Nanjing	100%	59,900	59,600	480	480	—	—
69	The Territory Nanjing	Nanjing	100%	316,697	910,561	38,729	38,729	—	—
70	Agile Chairman Nanjing	Nanjing	100%	31,159	74,394	74,394	—	74,394	—
71	Nanjing Yuhuatai District Project	Nanjing	34%	35,058	98,162	98,162	—	98,162	—
72	Agile Harbour City Nanjing (Formerly known as Nanjing Pukou District Project)	Nanjing	65%	233,257	702,104	702,104	—	—	702,104
73	Agile Yajun Lanting Nanjing	Nanjing	95%	63,132	155,936	155,936	—	155,936	—
74	Agile International Yangzhou	Yangzhou	100%	110,597	436,858	307,354	—	307,354	—
75	Agile Orchid Mansion Yangzhou	Yangzhou	100%	83,312	96,559	6,586	6,586	—	—
76	Agile Mountain Yangzhou	Yangzhou	100%	148,142	235,600	9,051	9,051	—	—
77	Yangzhou International Waterfront New Town Project	Yangzhou	100%	306,886	508,218	508,218	—	283,694	224,524
78	Agile Silva Town Chuzhou	Chuzhou	100%	270,907	677,266	202,592	657	—	201,935
79	Agile Hillgrove Zhenjiang	Zhenjiang	100%	113,117	226,200	4,531	4,531	—	—
80	Agile Luxuriant Palace Zhenjiang	Zhenjiang	100%	75,795	128,860	37,076	3,340	33,736	—
81	Agile Garden Jurong	Jurong	100%	34,906	69,812	457	457	—	—
82	Agile Landscape House Xuzhou	Xuzhou	34%	147,531	177,037	106,207	—	106,207	—
83	Agile Fuchun Mountain Xuzhou	Xuzhou	50%	132,397	172,115	172,115	—	172,115	—
84	Xuzhou Gulou District Project	Xuzhou	30%	41,100	97,100	97,100	—	97,100	—
85	Phoenix Orientalism Lianyungang	Lianyungang	33%	56,593	113,185	113,185	—	113,185	—
86	Landscape Hefei	Hefei	49%	92,216	174,164	119,606	5,541	114,065	—
87	Agile County Hefei	Hefei	100%	75,608	126,340	126,340	—	126,340	—
88	Hefei New Station Project	Hefei	45%	65,742	118,336	118,336	—	118,336	—
89	Agile New Joy Mansion Wuhu	Wuhu	60%	124,059	272,930	272,930	112,216	160,714	—
90(A)	Shanghai Pudong New District Project A	Shanghai	100%	542,952	293,001	293,001	—	—	293,001
90(B)	Shanghai Pudong New District Project B	Shanghai	40%	1,190,661	146,487	146,487	—	—	146,487

							Land Bank (sq.m.) (Note 1)		
							Development Stage (B)		
No.	Project Name	City	Interests	Total Site Area of the Project	Total Planned GFA of the Project	Total Planned GFA	Completed	Under Development	Held for Future Development
			Attributable						
			to the Group (Note 3)						
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
91	Agile Guanghe City Jiaxing (Formerly known as Jiaxing Huimin Town Project)	Jiaxing	40%	31,163	68,559	68,559	—	68,559	—
92	Agile Yuejingzhuang Chunfengdu Jiaxing	Jiaxing	50%	31,025	70,738	70,738	—	70,738	—
93	Agile Riverside Metropolis Huzhou . .	Huzhou	100%	64,220	134,862	17,750	17,750	—	—
94	Huzhou Fenghuang District East Project.	Huzhou	50%	65,257	130,514	130,514	—	130,514	—
95	Huzhou High Technology Town Project	Huzhou	100%	74,689	89,288	89,288	—	89,288	—
96	Agile Honour & Glory Changzhou . .	Changzhou	100%	194,968	286,608	3,046	3,046	—	—
97(A)	Agile Dream Lake Fairy Hill Changzhou Project A	Changzhou	100%	614,915	297,309	179,100	3,414	—	175,686
97(B)	Agile Dream Lake Fairy Hill Changzhou Project B.	Changzhou	95%	352,357	183,468	71,628	1,717	—	69,911
98	Agile Tangsong Changzhou.	Changzhou	51%	129,136	282,740	152,030	—	152,030	—
99	Changzhou Xixiashu Pure Industry Project	Changzhou	100%	47,566	61,249	61,249	—	—	61,249
100	Mansion of Lake Changzhou.	Changzhou	49%	68,563	137,126	137,126	—	137,126	—
101	Agile Phoenix Terrace Changzhou. . .	Changzhou	100%	48,985	107,767	107,767	—	42,220	65,547
102	Agile Elegant Mansion Changzhou. . .	Changzhou	34%	98,451	150,748	150,748	—	—	150,748
103	Changzhou Industry Project	Changzhou	100%	85,644	214,110	214,110	—	58,368	155,742
104	Yixing Guanlin Industry Project	Yixing	100%	121,827	133,000	133,000	—	40,923	92,077
105	Puyang Industry Project	Puyang	100%	44,682	51,200	51,200	—	51,200	—
106	Agile City Center Villa Wuxi	Wuxi	100%	214,664	590,325	192,771	1,760	191,011	—
107	Wuxi Xinwu District Project	Wuxi	50%	89,647	161,364	161,364	—	161,364	—
108	Wuxi Chengjiang Street Project	Wuxi	50%	88,976	177,952	177,952	—	—	177,952
109	Mount Lake Oriental Landscape Nantong	Nantong	33.40%	83,920	134,272	72,466	242	72,224	—
110	Agile Metropolis Nantong	Nantong	40%	141,257	296,640	157,690	47,746	109,944	—
111(A)	Agile Central Mansion Nantong A. . .	Nantong	50%	22,402	55,300	43,315	43,315	—	—
111(B)	Agile Central Mansion Nantong B. . .	Nantong	50%	20,768	41,494	2,242	2,242	—	—
112	Nantong Hongwei Road Project	Nantong	30%	53,092	95,566	95,566	—	95,566	—
113	Agile Central Mansion Qidong (Formerly known as Qidong Jinqiao Road Project)	Qidong	50%	49,737	124,343	124,343	—	124,343	—
114	Taizhou Industry Project	Taixing	100%	62,294	124,588	124,588	—	39,480	85,108
115	Agile International Garden Hangzhou .	Hangzhou	100%	132,446	423,827	8,342	8,342	—	—
116	Agile Luxuriant Palace Suzhou	Suzhou	100%	81,202	162,404	84,504	31,385	53,119	—
117	Agile Lake Mansion Changshu.	Changshu	49%	51,039	132,701	132,701	—	132,701	—
118	Changshu Changfu Street Project . . .	Changshu	100%	68,001	102,002	102,002	—	102,002	—
119	Agile Linghu Garden Kunshan	Kunshan	100%	60,291	108,523	108,523	—	108,523	—
120	Long Beach Fuzhou.	Fuzhou	49%	70,618	197,730	197,730	—	197,730	—
121	Agile Mountains & Aqua Fuzhou . . .	Fuzhou	100%	39,096	64,392	20,557	20,557	—	—
122	Fuzhou Cangshan District Project . . .	Fuzhou	100%	20,007	42,015	42,015	—	42,015	—
123	Agile Chairman Xiamen	Xiamen	100%	12,206	29,296	6,436	6,436	—	—
124	Jinyu Tixiang Xiamen	Xiamen	51%	7,964	19,112	19,112	—	19,112	—
125	Agile Xiangshan in the Bay Zhangzhou	Zhangzhou	51%	353,391	1,140,725	1,091,913	112,071	89,339	890,503
126	Agile Champion Town Weihai	Weihai	64.80%	2,311,087	2,899,959	2,625,456	7,426	294,931	2,323,100
127(A)	Jing Yuan Jinan.	Jinan	50%	21,181	63,543	63,543	—	63,543	—
127(B)	Jing Yuan Jinan.	Jinan	50%	49,573	143,920	143,920	—	143,920	—
128	Jiangshan The One Jinan.	Jinan	33%	23,856	38,170	38,170	—	38,170	—
129	Agile City of Lohas Jinan	Jinan	100%	69,495	180,687	180,687	—	180,687	—
Eastern China Region Subtotal.				10,623,381	16,020,960	11,366,738	489,038	5,062,027	5,815,673

							Land Bank (sq.m.) (Note 1)		
							Development Stage (B)		
No.	Project Name	City	Interests	Total Site Area of the Project	Total Planned GFA of the Project	Total Planned GFA	Completed	Under Development	Held for Future Development
			Attributable						
			to the Group (Note 3)						
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
Western China Region									
130	Agile Garden Chengdu	Chengdu	100%	1,338,960	1,606,752	10,428	10,428	—	—
131	Agile Born to Shine Chengdu	Chengdu	49%	56,005	112,011	112,011	—	112,011	—
132	Flowers Island Chengdu	Chengdu	33%	69,999	139,999	139,999	—	139,999	—
133	Agile City of Lohas Chengdu	Chengdu	100%	66,009	165,023	113,862	21,500	92,362	—
134	Agile Boguang Yafu Chengdu	Chengdu	100%	105,832	245,068	245,068	—	181,691	63,377
135	Chengdu Chenghua District Project . .	Chengdu	30%	97,600	244,000	244,000	—	198,895	45,105
136	Chengdu International Resort District Project	Chengdu	51%	226,895	470,975	470,975	21,557	126,107	323,311
137	Agile Life Diary Xi'an	Xi'an	100%	277,519	695,070	135,361	4,678	130,683	—
138	Agile City of Lohas Xi'an	Xi'an	51%	59,434	168,748	241	241	—	—
139	Agile North City County Xi'an	Xi'an	51%	128,087	256,174	256,174	—	124,957	131,217
140	Baoji Taibai Mountain National Tourism Scenic Area Project	Baoji	51%	105,816	105,800	105,800	—	10,000	95,800
141	Agile Garden Hanzhong	Hanzhong	100%	442,647	1,549,263	1,019,396	16,951	442,984	559,461
142	Agile Hanlin Yayuan Weinan	Weinan	100%	43,637	104,730	104,730	—	104,730	—
143	Guiyang Huaxi District Project	Guiyan	51%	29,104	72,760	72,760	—	72,760	—
144	Agile Chairman Chongqing	Chongqing	100%	119,287	348,172	3,750	3,750	—	—
145	Agile Mountain Chongqing	Chongqing	100%	203,112	362,486	257,315	15,366	166,862	75,087
146	Lumingfu Chongqing	Chongqing	33%	157,427	366,953	196,779	8,636	188,143	—
147	Agile Bay Area Villa Chongqing	Chongqing	100%	138,394	187,009	160,309	31,958	56,409	71,942
148	Chongqing Jiahe Avenue Project	Chongqing	100%	139,225	400,867	400,867	—	148,633	252,234
149	Agile Jiulong County Chongqing	Chongqing	100%	50,035	100,070	100,070	—	100,070	—
150	Agile Star County Chongqing	Chongqing	100%	112,059	168,089	168,089	—	129,673	38,416
Western China Region Subtotal				3,967,084	7,870,019	4,317,983	135,065	2,526,969	1,655,949
Central China Region									
151	Bund Mansion Changsha	Changsha	50%	197,406	670,237	289,758	723	—	289,034
152	Agile Evian Town Changsha	Changsha	100%	410,911	739,641	399,133	21,372	—	377,761
153	Agile Sunday Changsha	Changsha	100%	15,853	69,596	69,596	—	69,596	—
154	Agile Forest Lake Zhengzhou	Zhengzhou	100%	78,328	195,821	1,050	1,050	—	—
155	Agile Chairman Zhengzhou	Zhengzhou	100%	49,485	74,227	74,227	—	74,227	—
156	Agile Celestial Mansion Zhengzhou . .	Zhengzhou	50%	52,189	156,566	156,566	2,261	154,305	—
157	West City Garden Zhengzhou	Zhengzhou	33%	46,691	116,726	116,726	—	116,726	—
158	Agile Romantic Town Gongyi	Zhengzhou	72%	420,723	765,094	765,094	6,986	449,396	308,712
159	Grand View Kaifeng	Kaifeng	51%	59,545	148,863	148,863	—	148,863	—
160	Guokong Kaifeng	Kaifeng	20.40%	264,008	660,019	660,019	—	251,711	408,308
161	Agile International Garden Xuchang . .	Xuchang	100%	93,186	279,558	32,629	15,580	17,049	—
162	Agile County of Earl Xuchang	Xuchang	100%	31,083	56,977	56,977	—	56,977	—
163	Agile Hanlinya County Xuchang	Xuchang	100%	165,972	481,319	481,319	—	163,629	317,690
164	Lantai Mansion Shangqiu	Shangqiu	49%	59,698	179,093	179,093	—	55,586	123,507
165	Agile International Garden Shangqiu . .	Shangqiu	100%	52,607	157,820	82,795	900	81,895	—
166	Agile Nanlu Mountain Chenzhou	Chenzhou	50%	121,066	145,279	145,279	—	73,485	71,794
167	Agile International Garden Wuhan . . .	Wuhan	100%	406,583	790,694	525,713	7,553	518,160	—
168	Agile Yunzhu Wuhan	Wuhan	49%	119,789	275,514	275,514	—	275,514	—
169	Agile City of Lohas Jingzhou	Jingzhou	100%	42,113	147,395	147,310	—	147,310	—
170	Agile Modern Mansion Xiangyang . . .	Xiangyang	100%	213,809	442,912	442,912	—	265,205	177,707
171	Jiujiang Lianxi District Project	Jiujiang	30%	230,966	287,360	287,360	—	89,956	197,404
Central China Region Subtotal				3,132,009	6,840,711	5,337,932	56,425	3,009,590	2,271,917

							Land Bank (sq.m.) (Note 1)		
							Development Stage (B)		
No.	Project Name	City	Interests	Total Site Area of the Project	Total Planned GFA of the Project	Total Planned GFA	Completed	Under Development	Held for Future Development
			Attributable						
			to the Group (Note 3)						
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
Hainan Region									
172	Hainan Clearwater Bay	Lingshui	100%	10,698,576	8,402,563	3,346,267	532,840	2,074,818	738,609
173	Agile Starlight City Hainan	Wenchang	100%	110,098	330,294	302,003	27,753	215,801	58,449
174	Agile Golden Bay Hainan	Haikou	60%	376,502	704,451	239,250	84,476	122,832	31,942
175	Agile Center Haikou	Haikou	100%	36,944	92,359	92,359	—	92,359	—
176	Agile Shanqin Bay Wanning	Wanning	100%	233,325	184,658	184,658	—	71,393	113,265
177	Hainan Shangen Bay Project	Wanning	100%	41,811	45,992	45,992	—	—	45,992
178	Lingao Nanbao Town Project	Lingao	100%	88,963	44,482	44,482	—	44,482	—
Hainan Region Subtotal				11,586,219	9,804,799	4,255,011	645,069	2,621,684	988,258
Yunnan Region									
179	Agile International Garden Ruili	Ruili	100%	413,273	1,115,220	654,886	41,282	140,943	472,661
180	Agile Eden Yunnan	Tengchong	100%	2,423,266	4,004,836	2,629,516	156,771	—	2,472,745
181(A)	Agile Erhai Dali	Dali	50%	30,893	114,305	114,305	—	39,996	74,309
181(B)	Erhai Dali	Dali	50%	31,320	125,280	125,280	—	84,598	40,682
182	Agile Quenya Yunnan	Xishuangbanna	100%	1,071,600	1,285,920	709,670	24,746	274,429	410,495
183	Kunming Guandu District Project	Kunming	100%	114,200	366,300	366,300	—	—	366,300
184	Jinlin Fenghui Kunming	Kunming	50%	81,914	262,126	262,126	—	235,934	26,192
185	Agile City Central Kunming	Kunming	51%	64,076	260,873	260,873	—	205,506	55,367
Yunnan Region Subtotal				4,230,542	7,534,860	5,122,956	222,799	981,406	3,918,751
Northeast China Region									
186	Agile Garden Shenyang	Shenyang	100%	536,848	1,110,834	200,390	22,103	178,287	—
187	Agile Shine Song Shenyang	Shenyang	50%	30,705	52,198	52,198	—	52,198	—
Northeast China Region Subtotal				567,553	1,163,032	252,588	22,103	230,485	—
Northern China Region									
188	Tianjin Jinnan New City	Tianjin	25%	1,289,227	3,010,901	1,347,480	152,466	1,195,014	—
189	Agile Chairman Tianjin	Tianjin	100%	85,689	128,532	21,682	1,668	—	20,014
190	Agile Tianfu Tianjin	Tianjin	48%	436,800	1,122,661	1,122,661	—	275,428	847,233
191(A)	Agile Samite Dajia Tianjin	Tianjin	50%	230,355	327,276	327,276	—	142,421	184,855
191(B)	Tianjin Haijiao Garden Project B	Tianjin	100%	45,709	77,704	77,704	—	77,704	—
192	Agile Baodi Jinqiao International Town Tianjin	Tianjin	96%	493,845	825,535	825,535	23,141	406,634	395,759
193(A)	Agile Chairman Handan	Handan	90%	18,240	36,480	36,480	—	36,480	—
193(B)	Courtyard Handan	Handan	49%	30,581	61,162	61,162	—	61,162	—
194	Agile Lohas Life Jinzhong	Jinzhong	33%	46,603	163,112	163,112	—	—	163,112
195	Yourgend Peninsula Jinzhong	Jinzhong	49%	145,037	452,292	452,292	—	360,340	91,952
196	Beijing Yanqing District Project	Beijing	51%	198,254	65,000	65,000	—	—	65,000
197	Agile Jinghua Ya Jun Beijing	Beijing	100%	36,478	80,252	80,252	—	80,252	—
198	Agile Territory Epic Taiyuan (formerly known as Taiyuan Yingze District Project)	Taiyuan	71.26%	87,907	340,480	340,480	—	253,128	87,352
199	Agile Chairman Shijiazhuang	Shijiazhuang	100%	49,697	99,394	99,394	—	94,494	4,900
Northern China Region Subtotal				3,194,422	6,790,780	5,020,509	177,275	2,983,057	1,860,177
Hong Kong									
200(A)	Eastbourne Road Kowloon Tong Project A	Hong Kong	82%	2,010	6,030	6,030	—	—	6,030
200(B)	Eastbourne Road Kowloon Tong Project B	Hong Kong	23%	2,548	7,644	7,644	—	—	7,644
201	King's Road & Mount Parker Road Project	Hong Kong	100%	2,925	6,525	6,525	—	—	6,525
Hong Kong Subtotal				7,483	20,199	20,199	—	—	20,199
Overseas									
202	Agile Bukit Bintang Kuala Lumpur	Kuala Lumpur	70%	15,174	191,234	191,234	—	191,234	—
203	Agile Embassy Garden Kuala Lumpur	Kuala Lumpur	100%	12,464	111,900	111,900	—	111,900	—
204	Agile Sky Residence Phnom Penh	Phnom Penh	49%	4,220	50,640	50,640	—	50,640	—
205	San Francisco Project 88	California	50%	2,787	10,674	10,674	—	10,674	—
Overseas Subtotal				34,645	364,448	364,448	—	364,448	—
Grand Total (Note 4)				56,089,868	93,313,745	53,010,505	2,658,392	25,184,433	25,167,680

Notes:

1. Land bank data includes only GFA that is calculated based on plot ratio and $A=B=C$. The data of completed GFA and GFA under development are as at December 31, 2020. Data are derived from the Group's internal record.
2. In addition to the above information, the Group has a planned project in Hong Kong. The Group is holding 70% equity interest in lands (including agricultural land and others) with total site area of approximately 1.29 million sq. feet in the New Territories and is intended to submit its application for amendment of plan to the relevant government department.
3. The Group's equity interests in the projects listed in the Land Bank Table may change as a result of introduction of cooperation parties for the joint development of some of these projects. The current percentages of shareholdings listed in the Land Bank Table are for reference only.

As of December 31, 2020, there were also parcels of land for 14 of our projects for which our project companies had entered into land grant contracts, land grant confirmation agreements or land use rights transfer agreements or held other forms of interest but for which we had not obtained the relevant land use rights certificates or the land titles or were pending share transfer.

With respect to the pieces of land for which we had not yet obtained such land use rights certificates, there can be no assurance that we will obtain the land use rights certificates, in a timely manner, or at all. Under the "Law of the Administration of Urban Real Estate of the PRC", we are not allowed to engage in any pre-sale activity prior to issuance of land use rights certificates.

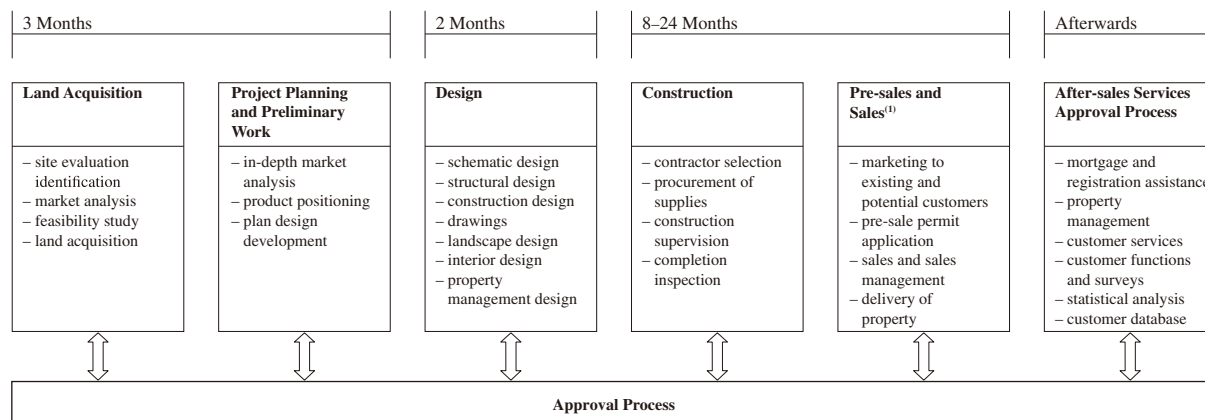
QUALIFICATIONS OF PROPERTY DEVELOPERS

Property developers in the PRC must obtain a formal qualification certificate in order to carry out property development activities in the PRC. According to the "Provisions on Administration of Qualification Certificates of Property Developers promulgated by the PRC Ministry of Construction", newly established developers must first apply for a temporary qualification certificate, which may be renewed for a maximum of two additional one-year periods. Entities engaged in interior decoration must also obtain qualification certificates before commencing their business activities, according to the "Provisions on Administration of Qualification Certificates of Construction Enterprises" promulgated by the PRC Ministry of Construction. All qualification certificates of property development enterprises are subject to renewal on an annual basis. In determining whether to renew a qualification certificate, the local government authority evaluates the various aspects of the property developer's business, including its registered capital, property development investments, history of property development, quality of property construction, the expertise of its management, as well as whether the real estate developer has any illegal or inappropriate operations. As of the date of this offering memorandum, all our project companies have obtained a valid formal qualification certificate, except that certain newly established project companies are in the process of applying for their qualification certificates and certain project companies are in the process of renewing their qualification certificates.

PROJECT MANAGEMENT

We have established various centralized control centers to oversee and control all aspects of our major operating subsidiaries or projects including project identification, project planning and design and budget control, such as Finance Center (財務中心), Sales and Marketing Center (營銷中心), Operations Center (運營中心), Design Center (設計中心), Engineering Center (工程中心), Procurement Center (採購中心), Human Resources and Administrative Center (人力行政中心), Strategic Investment Center (戰略投資中心) and Cost Center (成本中心). We have also established 11 regional offices to carry out the day to day operations for our projects.

The diagram below summarizes the different stages in the development of a property:



Note:

- (1) Pre-sales typically commence several months after the beginning of construction and are completed at the end of construction.

SITE SELECTION AND PRODUCT POSITIONING

We place a strong emphasis on site selection and consider it fundamental to the success of a property development. Our major site selection criteria include:

- government development plans for the relevant site;
- access to the site and availability of infrastructure support;
- customer demand for properties in the relevant area;
- existing and potential competition from other developments in the locality;
- convenience of the site, such as proximity to the city center, schools, shopping malls and other commercial facilities and access to transportation networks;
- surrounding environment, such as greenery, lakes and rivers; and
- cost, investment and financial return ratios of the potential developments.

Following site selection, our Design Center determines the products based on their analysis of the purchasing power and preferences of our target customers to better match their demand.

LAND ACQUISITION

Prior to the introduction by the PRC government of regulations requiring that land use rights for property development be granted by tender, auction or listing-for-sale, we obtained most of our land use rights through purchase arrangements or co-operative arrangements with local governments or original grantees of land use rights.

“The PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale” (招標拍賣掛牌出讓國有土地使用權規定) issued by the PRC Ministry of Land and Resources provide that, from July 1, 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale. When land use rights are to be granted by way of a tender, an evaluation committee consisting of not fewer than five members (including a representative of the grantor and other experts) is to consider and select the tenders that have been submitted. When deciding whom to grant land use rights, the relevant authorities are to consider not only the tender price, but also the credit history and qualifications of the tenderer and its tender proposal. Where land use rights are granted by way of an auction, a public auction is to be held by the relevant local land bureau and the land use rights are granted to the highest bidder. We believe these measures should result in a more transparent land grant process, which should enable developers to compete more effectively. Under current regulations, grantees of land use rights are generally allowed to sell, assign or transfer the land use rights granted to them in secondary markets, unless the transferor is a state-owned enterprise or a collectively owned enterprise or the land use right is obtained by way of allocation. In these latter cases, such land is to be transferred through public tenders, auction or listing-for-sale. In addition to acquiring land through government-organized tender, auction or listing-for-sale, we intend to continue to obtain land use rights through transfers from third parties or through cooperative arrangements with third parties in the secondary markets. The availability of privately held land will, however, remain limited and subject to uncertainties.

Starting November 1, 2007, a regulation issued by the Ministry of Land and Resources requires property developers to pay the land premium in full for the entire parcel under the land grant contract before they can receive a land use right certificate. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use right certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In March 2010, the Ministry of Land and Resources issued a circular imposing more stringent requirements on the payment of land premium by property developers. The implementation of the regulation will require property developers to maintain a higher level of working capital. Under this regulation, larger property developers generally are in a better position to compete for large pieces of land due to their stronger financial condition. See “Risk Factors — Risks Relating to Our Business — The PRC government has implemented restrictions on the payment terms for land use rights.”

Historically, we have acquired most of our land through government land sales and secondary market land sales. In recent years, we have adopted a more prudent and efficient land acquisition strategy to increase our land bank by way of tender, auction, listing-for-sale and equity acquisition.

Government Land Sales

When local governments invite property developers to bid on particular projects, they typically require each developer to provide a bid bond. The bid bond is set by each local government with respect to each project, and varies in terms of amount and percentage of the total estimated sale price. Historically, the bid bonds we have posted have ranged from 20% to 50% of the estimated sale price.

If we are unsuccessful in a bid, the local governments will refund the bid bond to us, usually within five days of the announcement of the successful bidder.

In many cases, our land acquisitions from local governments involve large parcels of land which we intend to develop in stages. Accordingly, we may structure our purchase of a parcel of land for an entire project in several stages which can last from several months to several years. If we are successful in a bid, our bid bond becomes part of our initial installment payment for the acquisition of the land, and our obligation to make the balance of our payments becomes unconditional. For smaller developments, we pay the purchase price either by installments or in one lump sum and, the government delivers a single land use right certificate for the entire parcel after our payment in full of the purchase price for the land, typically within one month after the final payment.

As of December 31, 2020, there were RMB837.0 million (US\$128.3 million) in outstanding bid deposits with local governments. Any outstanding bid deposits are recorded under other receivables on our consolidated balance sheet. In certain cases, local governments may approach us many months in advance of the commencement of a bidding exercise to seek assistance in preparing the land for development. In such cases, we may assist the government by depositing funds with the local government in order to fund the clearing of impediments to land title and other administrative matters required for the land to be fully ready for bidding. Once the bidding exercise commences, the deposited

funds are treated as part of our bid bond, and we participate in the bidding process together with other competitors. If we are unsuccessful in the bid, the deposited funds are returned to us. If we are successful in the bid, the deposited funds are treated as part of our first installment payment.

Secondary Market Land Sales

For land acquisitions from non-government parties in the secondary markets, we typically provide a security deposit to the seller or prepay a certain portion of the purchase price for the land. The amount of such security deposit or prepayment is negotiated between the seller and us, and we may provide deposits or prepayments in advance of each stage of completion of the transfer of the land use rights. Historically, such prepayments and deposits have ranged from 10% to 30% of the purchase price for the land. We usually pay the purchase price of the land by installments into an escrow account and the seller delivers or assists us to obtain the land use right certificate under our name after our full payment of the purchase price, generally within one week after the final payment. In situations where we enjoy a good relationship with the seller, sellers have often transferred the land use right certificate for the entire parcel to us prior to our full payment of the purchase price. As of December 31, 2020, we didn't have any outstanding security deposits and prepayments to non-government sellers of land. Any outstanding security deposits and prepayments are recorded under other receivables on our consolidated balance sheets.

In limited circumstances, our land acquisitions in the secondary market may take the form of cooperation with third parties who hold the land use rights. Historically, we pay the purchase price for such land transfer in cash and through properties we have developed or will develop. The value of the properties we transfer as part of the purchase price is determined by reference to the selling price for such properties, usually at a 10% to 20% discount. The sellers in these cooperation arrangements historically have not held an equity interest or shared any profit in any of the projects involved other than the properties we agree to transfer to them in the relevant cooperation agreements. Given suitable opportunities, we may consider forming equity joint ventures with third parties who hold land use rights to jointly develop the land. Under such joint ventures, generally we will be the majority shareholder and manage the development.

Corporate Acquisitions

In certain cases, we may acquire land use rights by acquiring the corporate entity which owns the land use rights or is in the process of acquiring the land use rights. In such cases, the purchase price of the relevant land is treated as part of the consideration of the corporate acquisition. Upon the completion of the corporate acquisition, we complete the land acquisition and develop the land through the acquired entity, such as the Zhongshan Junhui Project and Beijing Yanjing District Project. From time to time, in compliance with the restricted payments covenant under the indentures governing the Existing Notes, we make loans to third parties who are in the preliminary stages of acquiring land or developing land for prospective projects which we may later decide to develop. Such loans are typically secured by security interests over any relevant land assets and shares of the relevant companies. If we decide to proceed with such projects, the loan is either converted to an equity interest in the project or repaid through a transfer of equity ownership interests in the project. If we decide not to proceed, the loan is repayable to us. See “— Joint Ventures” below.

JOINT VENTURES

Historically, we have developed our property projects primarily through our wholly owned subsidiaries. However, in recent years, we began to develop a number of projects through joint venture arrangements with independent third parties, such as the principal investment groups of global investment banks, real estate funds and other property developers. Arrangements which we may undertake include the following:

- working with strategic partners who are in the preliminary stages of land acquisition or land development by making loans to such partner to further acquire or develop land. We believe that strategic partners in a new market may have local market expertise, or better access to strategic projects in that market;
- working with international business partners and financial investors such as well-known real estate funds to jointly acquire or develop land. We may consider disposing of a minority equity interest in our project company to such business partners and financial investors to generate additional cash

flow and access future pro rata project funding. We believe that forming strategic partnerships with international business partners and financial investors is beneficial to our brand building, reputation and provides us with alternative sources of funding; and

- financing the acquisition and development of land through joint ventures in which we would contribute the right to acquire land, as well as our development expertise and the joint venture partner would contribute funding for the acquisition and development of the land. In these situations, the joint venture party may include foreign partners and financial investors.

FINANCING OF PROPERTY DEVELOPMENTS

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We have three main sources of funding for our property developments: internal funds, borrowings from banks and proceeds from sales and pre-sales. We may also obtain financing through equity or debt offerings such as our initial public offering, various share placements, issuance of senior notes, convertible bonds, asset backed securities, domestic corporate bonds, perpetual securities and various other forms of instruments.

Since June 2003, commercial banks have been prohibited under PBOC guidelines from advancing loans to fund the payment of land premium. As a result, property developers may only use their own funds to pay for land premium.

Prior to June 2003, we financed our payments of land premiums through a combination of borrowings from banks and proceeds from the sales and pre-sales of properties. Since June 2003, all of our payments of land premiums have been funded by proceeds from the sales of properties and sources other than bank borrowings.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines jointly issued by the PRC Ministry of Construction and other PRC government authorities in May 2006, commercial banks in China may not lend funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds available by the total project capital required for the project, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio increased the internally sourced capital requirement for property developers, including ourselves. In May 2009, as part of its measure to mitigate the impact of the global economic downturn, the PRC government lowered this ratio to 20% for affordable housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate property developments in China. However, since December 2009, the PRC government adjusted some policies in order to enhance the regulation of the property market, such as imposing more stringent requirements on the payment of land premiums. We typically use internal funds and project loans from PRC banks to finance the initial construction costs for our property developments. Additional cash is generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funds for the construction of our projects.

PROJECT DESIGN WORK

The project design work for our property developments is typically conducted by reputable domestic or overseas architectural and interior design firms under contract with us, with the assistance and under the supervision of our Design Center (設計中心).

In determining the design of a particular property development, we consider:

- the surrounding environment or neighborhood of the site where the relevant property is to be developed;
- relevant site area;
- advice and recommendation of professional advisors, including architects and planning experts; and
- the proposed type of residential development.

Our Design Center (設計中心) is responsible for overseeing project design and interior design of our property developments. The Design Center (設計中心) takes part in the selection of design firms and works to ensure that the project designs are constructed to meet our specifications and completed on time. In selecting design firms, we consider a firm's reputation for reliability and quality, the price quoted, the references provided, and the design proposed. We typically select the design firm for a property development through a tender process. Design Center (設計中心) is responsible for monitoring the progress and quality of the design teams to ensure they meet the required standards.

CONSTRUCTION WORK

We generally outsource our construction work to independent construction companies through a tender process. Our Engineering Center (工程中心) is responsible for selecting our construction contractors and takes into account the reputation of the contractors for reliability, quality and safety, the prices quoted and references provided in the selection. The quality and timeliness of the construction is usually warranted by contract. Our project company monitors cost control closely during construction. We have had disputes with some of our construction contractors in the past. In connection with the development of Majestic Garden, we experienced a two-month delay in the completion of construction in 2000, as Taixing First Construction Company ("Taixing"), an independent construction contractor, suffered financial difficulties. During 2018, 2019 and 2020, we did not incur any significant additional costs as a result of our independent contractors' financial or other difficulties. While most of our construction work is carried out by independent construction companies, we also have a construction subsidiary in Guangzhou that engages in foundation construction and certain ancillary construction work for certain of our projects.

The construction contracts we enter into with construction companies typically contain warranties in respect of quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies, on-site inspection and production of progress reports. Construction payments are determined primarily based on the labor and material costs and fitting requirements, and are adjustable under the construction contract. In the event of delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies.

QUALITY CONTROL

We place a strong emphasis on quality control to ensure that our properties and services comply with relevant rules and regulations relating to quality and safety and meet market standards. We have quality control procedures in place in our different functional departments as well as in each project company.

We generally contract with reputable design and construction companies and material suppliers to ensure the quality of sub-contracted work. Internal guidelines have been established to ensure control over documentation, record-keeping, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, information exchange and data analysis. We provide our customers with a warranty for the structure and certain fittings and facilities of our property developments in accordance with the relevant rules and regulations.

PRE-SALE

Upon satisfaction of certain requirements set forth in the relevant laws and regulations as discussed below, we typically conduct pre-sale of our property units prior to the completion of a project or a project phase.

Under the "Law of the Administration of Urban Real Estate of the PRC" (中華人民共和國城市房地產管理法) and the "Administrative Measures Governing the Pre-sale of Urban Real Estate" (城市商品房預售管理辦法), as amended in 2001 and 2004 (which are generally applicable in the PRC, including Guangdong Province), we must comply with the following conditions prior to commencing any pre-sale of a particular property development:

- the land premium must have been fully paid and the relevant land use rights certificates have been obtained;

- the construction works planning permit and the construction project building permit must have been obtained;
- the funds contributed to the development of the property developments where property units are pre-sold may not be less than 25% of the total amount invested in the project and the progress and the expected completion date and delivery date of the construction work have been confirmed; and
- pre-sale permits must have been obtained from construction bureaus at the county-level or above.

According to the “Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province” (廣東省商品房預售管理條例) and a notice issued by the Guangdong provincial construction bureau on January 2, 2001, we must fulfill the following conditions, in addition to the four conditions mentioned above, before obtaining a pre-sale permit:

- a business license and a real property development qualification certificate have been obtained;
- the construction quality and safety monitoring procedures have been performed;
- in the case of properties of not more than seven stories, the main structural construction must have been completed and in the case of properties of more than seven stories, at least two-thirds of the main structural construction must have been completed;
- a designated property pre-sale account has been opened with a commercial bank in the place where the project is located; and
- the land use rights with respect to the properties in the project are free from third-party rights.

Other cities and regions in which we have property developments or to which we are expanding (cities such as Shenyang, Tianjin, Hainan and Xi'an) have imposed similar requirements for the pre-sales of properties, including the possession of certain certificates or government approvals, completion of certain structure or facilities, proof of required investment and the setup of a designated pre-sale proceeds account.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development issued the “Circular on further strengthening on real estate market supervision and improvement of the commercial housing pre-sale system (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It stipulates that:

- prior to obtaining pre-sale permits for a project, the property developer may not accept from a purchaser any deposits or other fees in order to place the purchaser on a waitlist, reserve a purchase, confirm a purchase or grant a VIP card;
- the property developer shall disclose all the residential units that are permitted to be sold at one time and the price of each unit within ten days after obtaining the pre-sale permits;
- the pre-sale permits can only be issued to entire buildings, in addition, a pre-sale permit must not be issued to individual floors or units;
- property developer must publish its residential pre-sale program and promote and sell its residential units in accordance with the program, which includes basic information of the project, such as construction schedule, number of units available for pre-sale, estimated size, areas of common space and public facilities, sale prices and the range of changes in sale prices and the accounting system for pre-sale proceeds. The pre-sale program and all material changes to the program must be filed with the relevant authorities and be published;
- all pre-sale proceeds must be deposited into escrow accounts to ensure the legitimate use for project construction; and
- the property developer must take primary responsibility for the quality of properties it has developed, while survey, design, construction and supervision companies must also bear their respective responsibilities accordingly.

On March 16, 2011, NDRC promulgated the “Regulation on Price of Commodity Property” (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to the regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to state other ancillary charges that would affect housing prices and relative charges before the property transaction, such as commission fee and property management fee. No additional charge beyond what is stated in the quoted price or made public by the property developers is permitted.

See “Risk Factors — Risks Relating to Our Business — We face risks related to the pre-sale of properties, including the risk that property developments are not completed.”

A portion of the proceeds from the pre-sales of our properties is required to be deposited into designated escrow accounts. Before the completion of the pre-sold properties, the proceeds deposited in the designated escrow accounts must only be used for the restricted purposes of purchasing construction materials and equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. If we do not comply with these requirements, the qualification certificates held by our project companies may be revoked, which will result in suspension or termination of the relevant project. We may also be subject to a penalty amounting to 10% to 20% of the used portion of the deposited proceeds if they have been used in violation of these regulations. As of December 31, 2018, 2019 and 2020, our total guarantee deposit proceeds from pre-sales was approximately RMB7,328.6 million, RMB7,483.1 million and RMB7,441.8 million (US\$1,140.5 million), respectively.

SALES AND MARKETING

Our principal customers are individual purchasers of residential properties from the PRC. We primarily target middle and upper-middle class purchasers, such as white collar workers, middle-level and senior-level managers, entrepreneurs and civil servants.

We have established a Sales and Marketing Center (營銷中心) to supervise, manage and coordinate the sales and marketing activities undertaken by our subsidiaries. Our sales and marketing staff work closely to determine the appropriate advertising and sales strategy for a particular property development as well as to implement efficient and orderly on-site sales procedures.

We adopt a variety of measures to reach potential customers, including advertising through traditional media such as television and newspapers, new media such as websites and mobile apps, as well as sponsoring performances and organizing entertainment activities for customers. We believe that these initiatives have enhanced our brand image and increased the number of referrals by our existing customers.

PAYMENT ARRANGEMENTS

Our customers, including those purchasing pre-sold properties, may need bank mortgages. We typically require that all purchasers pay a deposit between RMB10,000 and RMB50,000 when executing the purchase contracts. If purchasers choose to make a cash payment, the purchase price (less the deposit already given) must generally be paid no later than three months after the execution of the purchase contracts. If the purchasers choose to pay through home mortgage loans provided by banks, under current PRC laws and regulations, they may obtain home mortgage loans in a principal amount of up to 70% of the total purchase price for first-time home purchases, or up to 60% for individuals already owning at least one home, of the purchase price with a repayment period of up to 30 years. A purchaser is generally required to pay the purchase price that is not covered by the mortgage loan prior to the drawdown of the mortgage loan. We generally receive payments for the purchase price covered under the mortgage loan directly from mortgagee banks one to two months after the execution of the purchase contracts. The payment terms of sales and pre-sales of properties are substantially identical. We also offer settlement of purchase price by installments, under which purchasers are required to pay at least 30% of the purchase price at the time of the execution of the sale and purchase contract, with the balance to be paid by installments over a period ranging from six to 18 months and normally within 12 months. The purchase price for purchasers who settle by installments is generally higher than those who do not do so and is generally higher for longer installment periods, in order to compensate us for the additional credit risk that we may be exposed to. In certain cases, we have also entered into group buying arrangements with selected customers and may offer discounts for group purchase of our properties.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgages granted to our purchasers. These guarantees are released upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one to two years after we deliver the relevant property to our customers; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2018, 2019 and 2020, our outstanding guarantees over the mortgage loans of our purchasers amounted to RMB44,775.4 million, RMB38,294.4 million and RMB51,377.8 million (US\$7,874.0 million), respectively. Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, we are responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions. See “Risk Factors—Risks Relating to Our Business—We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee financial institutions if our purchasers default on their mortgage payments.”

PROPERTY MANAGEMENT BUSINESS

We provide after-sales property management and after-sales service to the residents of the projects we develop through A-Living. A-Living also provides services to certain projects developed by third parties. Our property management services have won numerous awards and received recognition from different organizations and governmental departments. In 2012, our property management services were accredited with ISO 9001:2008 quality management system certification, ISO 14001:2004 environmental management system certification and OHSAS 18000:2007 occupational health and safety management system certification. In 2018, A-Living was awarded as “2019 Blue Chip Property Management Company”, “2019 Listed Property Management Companies with Growth Potential Award”, “2019 TOP 5 Listed Company of Property Management Service”, “2019 Top 50 Most Valuable Brand of Property Management Service”, “The 7th of the 2019 Top 100 Property Management Companies in China” and “2019 Leading Companies in Residential Property Services”. In the first half of 2020, A-Living received several authoritative awards and recognitions, such as the 4th of the “2020 Top 100 Property Management Companies in China”, the 1st of the “2020 China Top 100 Leading Property Management Companies in terms of Growth Potential”, the 2nd of the “Listed Property Management Company in terms of Comprehensive Strength in China” and “2020 Leading Specialized Property Management Company in China — A Leading Brand in the Provision of Comprehensive Public Building Services”, which acknowledged the leading advantages of its brands in the niche markets. As of December 31, 2020, A-Living managed projects in different cities and districts across China for a total contracted GFA of approximately 522.6 million sq.m. Under PRC laws and regulations, the owners’ association of a residential community has the right to change property management companies pursuant to certain procedures. See “Risk Factors—Risks Relating to Our Business—Our branding and marketing strategy could be adversely affected if homeowners in the projects that we have developed elect to discontinue our engagement as the provider of property management services.”

In 2017, we reorganized our property management business and re-arranged the subsidiaries providing property management services to improve our business model and strive to optimize our business portfolio. On February 9, 2018, the shares of A-Living, were listed on the main board of the Hong Kong Stock Exchange, constituting a spin-off from our Company. Upon completion of the global offering, we, through our wholly-owned subsidiaries, indirectly control in aggregate approximately 54% of the total issued share capital of A-Living.

A-Living primarily engages in three major business lines, namely property management services, extended value-added services and community value-added services, forming an integrated service spectrum covering the entire value chain of property management.

- **Property management services** — A-Living provides a wide range of property management services to property developers, property owners and residents and property management companies, including, among others, security, cleaning, greening, gardening, and repairs and maintenance services, with a focus on mid- to high-end residential properties (including vacation properties) and non-residential properties (including commercial properties, office buildings and multi-purpose complexes). A-Living also provides consultancy services to local property management companies.

- **Extended value-added services** — Extended value-added services primarily include sales center property management services and other extended value-added services for property developers. Other extended value-added services include property marketing agency services and housing inspection services, etc.
- **Community value-added services** — Community value-added services mainly include living and comprehensive services, community asset management services and home improvement services. Community value-added services focus on improving the community living experience of property owners and residents at the properties under management and preserving and increasing the value of their properties. Living and comprehensive services include: property repair and maintenance, housekeeping, community-based group purchase, and comprehensive consulting services, etc. Community asset management services primarily include: club house operation, property lease services, apartment operation, community-based advertising, parking lot management services, community property operation, and second-handed property agency services.

With an aim to provide a wide assortment of lifestyle products, A-Living launched a one-stop service platform in July 2016 that integrates (i) key mobile applications, including “A-Steward,” “A-Business” and “A-Assistant,” as well as “A-Steward” Wechat Public Account, (ii) offline services, including A-Living Experience Center, and (iii) merchandise supplier and service provider network platform on A-Steward Alliance.

We believe A-Living is well positioned in the property management industry of the PRC and differentiates from competitors in various respect: (i) a first-mover with a competitive market position in the property management industry in China; (ii) competitiveness enhanced by the support from our Group and the Greenland Group; (iii) dual brand strategy of Agile Property Management and Greenland Property Services standing for excellent service quality and management capabilities; (iv) an expert in vacation property management and a pioneer in large-scale property management; (v) diversified property management portfolios, operating revenue streams and service offerings; (vi) integrated and convenient one-stop service platform; (vii) management digitalization, service specialization, process standardization and operation automation; and (viii) experienced and professional management team as well as human resources policies designed to cultivate outstanding employees.

COMMERCIAL

In 2018, we formed the commercial segment by integrating our hotel operations and investment properties with a range of commercial projects covering cultural and tourism retail and community retail. The commercial segment has built a diversified portfolio of properties covering more than 50 cities, with a GFA approximately 5.6 million sq.m..

Hotel Operations

We engage in commercial hotel development and management to complement our residential property development business. While we have derived a substantial majority of our revenue from residential property development, we expect revenue contribution from our hotel business to remain stable in the next few years. We operate and manage these hotels through our hotel management companies. We have dedicated business units responsible for design, engineering, monitoring, purchasing, marketing, operation, administration and financial management of our hotels.

We are dedicated to building “Agile Hotel” into a recognized “five-star” hotel brand. By associating with the well-known brand names and learning from the extensive experience of our international hotel management partners, we aim to elevate our hotel management and services to world class standards.

The table below sets out details of our key hotels as of December 31, 2020.

	Name of hotels	Location	Status
1	Shanghai Marriott Hotel City Centre	Shanghai	In operation since 2011
2	Raffles Hainan	Hainan	In operation since 2013
3	Sheraton Bailuhu Resort Huizhou	Huizhou	In operation since 2014
4	Holiday Inn Resort Hainan Clearwater Bay . . .	Hainan	In operation since 2014
5	Howard Johnson Agile Plaza Chengdu	Chengdu	In operation since 2014
6	Tengchong Agile Hotel	Tengchong	In operation since 2015

Investment Properties

We designate certain properties as properties held for long-term rental income or for future capital appreciation purpose. In 2020, the fair value gains of these properties amounted to approximately RMB196.9 million (US\$30.2 million).

The table below sets out details of our major investment properties as of December 31, 2020.

	Name of Property	Location	Approximate GFA (sq.m.)⁽¹⁾
1	Xiqiao Metropolis Plaza	Foshan	57,585
2	Agile International Plaza Shanghai	Shanghai	24,241
3	Agile Mall Huadu	Guangzhou	69,094
4	Guangzhou Agile Center	Guangzhou	91,167

Note:

(1) Approximate GFA includes above-ground GFA only.

ENVIRONMENTAL PROTECTION

We have established a diversified environmental protection business covering hazardous waste treatment, water treatment and common solid waste treatment.

As of December 31, 2020, we had a total of 48 environmental protection projects, including 32 hazardous waste treatment projects, 7 domestic waste-to-energy projects, 4 integrated industrial park projects and 5 water treatment projects, spanning across four major regions of China, namely Central China, Southern China, Guangxi and Northern China. Among these 48 projects, 34 of them have commenced operation. We were honoured as a “leading enterprise in the field of hazardous waste” for three consecutive years.

CONSTRUCTION

We restructured our construction business in 2018 and renamed the business segment Agile City Group in December 2019. The restructured construction business is diversified into two major segments, including the habitat technology segment, and the engineering, procurement and construction segment. The habitat technology segment covers green ecological landscape, intelligent home decor and design consulting businesses, while the engineering, procurement and construction segment mainly engages in housing construction and municipal projects, providing services such as design consulting, project management, engineering construction, cost consulting and materials trading. Agile City Group is committed to providing a whole industry chain platform with a one stop solution that covers design, construction, procurement as well as repairs and maintenance. We have also obtained key qualification certificates, such as First-class General Construction Contracting, First-class Renovation Project and Grade A Architectural Design, allowing us to provide construction services that tall within their qualification class in the respective categories based on the nature of the construction projects. We believe we have established a vertically integrated construction platform which allows us to provide a wide range of construction services to our customers.

REAL ESTATE CONSTRUCTION MANAGEMENT

In April 2018, we established our real estate construction management business which primarily provides a range of construction management services to the market. We believe we have strong capabilities in supply chain management which allows us to provide partners with high-end technical and professional construction management services ranging from design and application, general management, cost control, brand export to product marketing. The real estate construction management team has been able to provide full industry chain agent construction services for the Agile Tiancheng Dongxi project in Jieyang and Agile Scenic Land project in Qingtian. In addition, the real estate construction management team has entered into cooperation agreements with a number of real estate developers from Guangdong, Jiangsu and Jiangxi with a view to expanding its presence in major city clusters, such as the Guangdong-Hong Kong-Macao Greater Bay Area and in the Yangtze River Delta.

COMPETITION

The property industry in the PRC is highly competitive. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, as well as property developers from Hong Kong, elsewhere in Asia and other parts of the world. A number of our competitors have greater financial, marketing, land and other resources than we do, and have better economies of scale, better name recognition, a longer track record and more established relationships in certain markets. See “Risk Factors — Risks Relating to Property Development in the PRC — Increasing competition in the PRC, particularly in Southern China Region, Eastern China Region and Hainan Province, may adversely affect our business and financial condition.”

INTELLECTUAL PROPERTY RIGHTS

We have registered or have applied for the registration of the trademarks “Agile,” “雅居樂” and certain variations of them under various categories with the PRC Trademark Office of the State Administration for Industry and Commerce (the “SAIC”). In addition, most of our project companies have registered or have applied for registration of the trademarks of their respective project names under the same categories.

“雅居樂” has been recognized as a “China’s Well-known Trademark” (中國馳名商標) and a “Guangdong Provincial Famous Trademark” (廣東省著名商標), respectively, by the SAIC and Guangdong Provincial Administration of Industry and Commerce. We have registered the domain name of “www.agile.com.cn” and certain domain names associated with our project names.

See “Risk Factors — Risks Relating to Our Business — Any failure to protect our brand and trademarks could have a negative impact on our business.”

INSURANCE

Consistent with industry practice in the property development industry in China, we do not generally maintain insurance coverage for our properties, whether they are under construction or have been completed and are pending delivery. See “Risk Factors — Risks Relating to Our Business — We do not have insurance to cover potential losses and claims in our operations.” There are no mandatory legal requirements to maintain insurance coverage in the PRC in respect to our property development operations. We maintain, however, insurance coverage against damage to or loss of certain of our buildings under mortgage for our certain bank borrowings. Since January 1, 2003, we have not suffered any losses or damages or incurred any liabilities relating to our properties that have had a material adverse effect on our business.

Our property management subsidiaries maintain management liability insurance coverage in connection with their business operations. We maintain insurance coverage for certain clubhouses. In addition, we also purchase employee-related insurances, such as pension insurance, for our employees.

EMPLOYEES

As at December 31, 2020, we had 63,275 full-time employees, among which 510 were senior management and 1,962 were middle management.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee’s qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. For each of our property developments, we are required to conduct an environmental assessment and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of construction activities. On the completion of each property development project, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then issued together with other specified documents to the local construction administration authorities for their record. As of the date of this offering memorandum, certain of our property projects are in the process of applying for the approval of environmental impact assessments and the acceptance of the environment protection measures. From November 20, 2017, after a construction project has been completed, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects maintained by the Ministry of Ecology and Environment. We believe that our operations are in compliance with currently applicable national and local environmental and safety regulations in all material respects. See “Risk Factors — Risks Relating to Our Business — Potential liability for environmental problems could result in substantial costs and delays.”

LEGAL PROCEEDINGS

From time to time, we have been or may be involved in legal proceedings or other disputes in the ordinary course of business which are primarily disputes with our customers, contractors, employees and joint venture partners.

As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse effect on our business or results of operations. See “Risk Factors — Risks Relating to Our Business — We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.”

REGULATION

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives, local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

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

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul the conflicting administrative rules, regulations, directives and orders.

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

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

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the "Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws" (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

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

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

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

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

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

Establishment of a Property Development Enterprise

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") promulgated by the Standing Committee of the NPC on July 5, 1994, effective on January 1, 1995 and as amended in August 2007 and in August 2009 and recently amended in August 2019 which was effective on January 1, 2020, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profit. Under the "Regulations on Administration of Development of Urban Real Estate" (城市房地產開發經營管理條例) (the "Development Regulations") promulgated and implemented by the State Council in July 1998 and as amended in January 2011 and in March 2019, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer. Under the "Regulations on Real Estate Developments of Guangdong Province" (廣東省房地產開發經營條例) issued by the Standing Committee of Guangdong Provincial People's Congress in 1993 and as amended in 1997, the registered capital of a property developer in the Guangdong Province ("Guangdong") shall be RMB3 million or more.

In May 2009, the State Council issued a "Notice on Adjusting the Ratio of Capital Fund for Investment Projects in Fixed Assets" (關於調整固定資產投資項目資本金比例的通知) setting the portion of capital fund of property projects at 20% for affordable housing projects and ordinary commodity housing projects and 30% for other property projects.

In September 2015, the State Council issued a “Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets” (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

To establish a property development enterprise, the developer should apply for registration with the administration for industry and commerce. The property developer must also report its establishment to the property development registration authority in its respective locality, within 30 days of the receipt of its Business License. Where a foreign-invested enterprise is to be established to engage in the development and sale of property, the relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises must also be observed, the relevant examinations conducted and the relevant approvals obtained.

Under the “Foreign Investment Industrial Guidance Catalog” (外商投資產業指導目錄) (the “Guidance Catalog”) promulgated by MOFCOM and the NDRC on March 10, 2015, effective from April 10, 2015, construction of golf course and villas falls within the category of industries in which foreign investment is prohibited, and construction and operation of large theme parks falls within the restricted category. Other real estate development falls within the category of industries in which foreign investment is permitted. Foreign-invested real estate development enterprises can be established in the form of Sino-foreign equity joint venture, Sino-foreign co-operative joint venture or wholly owned foreign enterprise in accordance with the Guidance Catalog and other laws and administrative regulations relating to foreign-invested enterprises. On June 23, 2020, MOFCOM and NDRC jointly issued the “Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version)” (外商投資准入特別管理措施(負面清單)(2020年版)) effective from June 23, 2020.

In July 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE promulgated the “Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market” (關於規範房地產市場外資准入和管理的意見). Under such circular, when a foreign investor establishes a property development enterprise in China with a total investment amount of US\$10 million or more, such enterprise’s registered capital must not be less than 50% of its total investment amount. Foreign institutions which have no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than one year are prohibited from purchasing any real property in the PRC. Furthermore, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- foreign institutions or individuals who buy property not for their own use in China should follow the principle of Commerce Existence and apply for the establishment of foreign-invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope;
- for establishment of a foreign-invested property enterprise, the commerce authorities and the administration for industry and commerce take charge of the approval and registration of the foreign-invested property enterprise and the issuance of the Approval Certificate for a Foreign-Invested Enterprise (which is only effective for one year) and the Business License. Upon full payment of the land premium, the foreign-invested property enterprise should apply for a “Land Use Right Certificate.” With a Land Use Right Certificate, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and an update Business License which will have the same approved business period with the formal approval Certificate for Foreign-Invested Enterprise from the administration of industry and commerce;
- transfers of projects or shares in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (i) a written undertaking of fulfillment of the contract for the State-owned land use rights assignment, the “Construction Land Planning Permit” and the “Construction Works Planning Permit;” (ii) a “Land Use Right Certificate;” (iii) documents evidencing the filing for modification with the construction authorities; and (iv) documents from the relevant tax authorities evidencing the payment of tax; and
- when acquiring domestic property enterprises by way of shares transfer or otherwise, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in

one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, with unsound financial track records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強、規範外商直接投資房地產審批和監管的通知) which was amended in October 2015, stipulates the following requirements for the approval and supervision of foreign investment in real estate:

- foreign investment in the PRC real estate sector relating to high-end properties is to be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, (i) both the land use rights certificates and housing ownership right certificates should have been obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should have been entered into;
- entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector, and entities which have been set up for real estate development operations need to obtain new approval in case they expand their real estate business operations;
- acquisitions of real estate entities and foreign investment in the real estate sector by way of round-trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- registration shall be immediately effected according to applicable laws with MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC governmental authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM; and
- for those real estate entities who are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigation and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On September 27, 2007, the PBOC and the CBRC jointly issued a “Circular on Strengthening Commercial Real Estate Loan Administration” (關於加強商業性房地產信貸管理的通知) This circular reaffirmed some of the restrictions applicable to the sale of residential and commercial units imposed by prior regulations as well as introduced new rules that prohibit, among other things, the provision of working capital financing by commercial banks to property developers (other than property development loans, which may only be used on local property development projects and not on projects in other regions without prior approvals from governmental authorities). In the case of a borrower that purchases his first residential unit with GFA of more than 90 sq.m., he is required to make a down payment of not less than 30% of the purchase price, with such percentage increasing to 40% for his subsequent residential unit purchases. In addition, the loan interest rate applicable to such subsequent residential unit purchases cannot be lower than 1.1 times of the benchmark lending rate published by the PBOC during the same period. For commercial units, the down payment should be no less than 50% of the purchase price, with a maximum loan period of 10 years and a minimum loan interest rate of 1.1 times the PBOC lending rate for the same period.

On April 6, 2010, the State Council issued the “Opinions on Further Enhancing the Utilization of Foreign Investment” (關於進一步做好利用外資工作的若干意見), which provides that, projects with total investment (including capital increase) of less than US\$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Guidance Catalog may

be approved by local governments, except for those required to be approved by relevant departments of the State Council under the “Catalog of Investment Projects Approved by the Government” (政府核准的投資項目目錄).

On May 4, 2010, NDRC issued the “Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects” (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Guideline Catalog shall be verified by NDRC at the provincial level, provided that such projects have a total investment (including additional invested capital) of no more than US\$300 million. In addition, the circular specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Tentative Administrative Measures for Verification of Foreign-invested Projects. According to the circular, the power to verify the projects within the restricted category under the Guideline Catalog is not delegated for the time being.

In November 2010, MOFCOM promulgated the “Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry” (關於加強外商投資房地產業審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises.

On September 3, 2016, the National People’s Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the “Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises” (外商投資企業設立及變更備案管理暫行辦法) which was amended on July 30, 2017.

On March 15, 2019, the National People’s Congress of the PRC adopted the “Foreign Investment Law of the PRC” or the Foreign Investment Law (中華人民共和國外商投資法) with a view toward unifying and streamlining the foreign investment framework into China which came into effect on January 1, 2020. The Foreign Investment Law replaced the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China
- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council.

The Foreign Investment Law establishes a nationwide “pre-establishment national treatment and negative list” management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the “Special Administrative Measures (Negative List) for Foreign Investment Access.” According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law

comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

On December 31, 2019, the National People's Congress promulgated the Implementing Regulations of the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例), which became effective from January 1, 2020. Pursuant to it, foreign investors shall not invest in any field forbidden by the negative list, and foreign investors invest in fields restricted by the negative list, foreign investors shall conform to the requirements of the shareholding ratio and senior executives specified in the negative list.

Where foreign investors invest in an industry or field requiring relevant licensing, the pertinent competent department responsible for granting the licensing shall review the foreign investor's application for relevant licensing in line with the conditions and procedures consistent with those for domestic investment, without adding more or applying stricter licensing conditions, increasing review processes, review materials or putting forward other requirements against such foreign investor, unless otherwise stipulated by laws and administrative regulations.

Foreign investors or foreign-invested enterprises shall submit their investment information to competent departments for commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System.

Qualifications of a Property Developer

Under the "Provisions on Administration of Qualifications of Property Developers" (房地產開發企業資質管理規定) (the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction in March 2000 and amended in May 2015, a property developer shall apply for registration of its qualifications in accordance with the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer who fulfills the qualification requirements will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The Provisional Qualification Certificate shall be effective for one year from the date of its issuance, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is restricted to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be restricted to those agreed by the construction authority of the relevant province, autonomous region or municipality. Pursuant to the Provisions on Administration of

Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority of the relevant province, autonomous region or municipality.

Development of a Property Project

Under the “Interim Regulations of the People’s Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land” (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (“Interim Regulations on Grant and Transfer”) promulgated by the State Council in May 1990 and amended on November 29, 2020, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay an land premium to the government as consideration for the grant of the right to use a land site within a specified term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate 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 to provide for the grant of land use right. The land user shall pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use right for a site intended for property development shall be obtained through government grant except for land use right which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

Under the “Rules Regarding the Grant of State-owned Land Use Rights for construction by Way of Tender, Auction and Listing-for-sale” (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on September 28, 2007, state-owned land use rights for the purposes of industrial use, commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction and listing-for-sale. The procedures are as follows:

- The land authority under the people’s government of the city and county (the “assignor”) shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as the size of the land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.
- The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.
- After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposits to the unsuccessful bidding or auction applicants.
- The assignor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use right according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use right.
- The winning tender or winning bidder should apply for the land registration after paying off the land grant premium in accordance with the state-owned land use right grant contract. The people’s government above the city and county level should issue the “Land Use Permit for State-Owned Land.”

When carrying out a feasibility study for a construction project, a construction company shall make a preliminary application for construction on the relevant site to the land administration authority of the same level as the project approval authority, in accordance with the “Measures for Administration of Examination and Approval for Construction Sites” (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources in March 1999 and as amended in November 2010 and November 2016

and the “Measures for Administration of Preliminary Examination of Construction Project Sites” (建設項目用地預審管理辦法) promulgated by the Ministry of Land and Resources in July 2001 and as amended in October 2004 and November 2008 and November 2016, respectively. After receiving the preliminary application, the land administration authority shall carry out a preliminary process for the approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the government, and shall issue a preliminary approval report in respect of the project site. The land administration authority of the relevant city or county shall sign a land grant contract with the land user and issue an approval for construction site to the construction company.

According to the Urban Real Estate Law, a land user who obtains land use right under the grant system must develop the land in accordance with the purposes for which the land is acquired and must commence the development within the time frame agreed to under the land grant contract. If the land user fails to commence development and construction within one year of the construction commencement date stipulated in the land grant contract, then the local land administration authority may impose a fine on the land user an “idle land fee” of up to 20% of the land premium agreed. If the land user fails to commence development of the relevant land after two years from the deadline set forth in land grant contract, the land user’s land use right may be forfeited. However, the foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions.

On January 3, 2008, the State Council reiterated the abovementioned policies in the “Notice on Enhancing the Economical and Intensive Use of Land” (關於促進節約集約用地的通知). This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy on land appreciation value on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

On June 1, 2012, the Ministry of Land and Resources revised and promulgated the “Measure for the Disposal of Idle Land” (閒置土地處置辦法), which clarified the scope and definition of idle land, as well as the corresponding punishment measures. Pursuant to the Measures for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as “idle land”:

- any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use; and
- any State-owned land for construction uses of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by competent department of land and resources, unless otherwise prescribed by the new Measures for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people’s government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the right to

use the land and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and

- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Recovering the Right to Use the State-owned Land for Construction Use to the holder of the land use right and recover the right to use the State-owned construction land without compensation.

On September 12, 2014, the Ministry of Land and Resources issued the “Guidelines on Improving Economical and Intensive Use of Land” (關於推進土地節約集約利用的指導意見), which implements the rules regarding idle land and specifies the controlling requirements of the land use standards in the relevant legal documents including land use approvals and land grant contracts.

Under the “Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land” (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992 and the “Notice of the Ministry of Construction on strengthening the Planning Administration of Assignment and Transfer of the Right to use State-owned Land” (關於加強國有土地使用權出讓規劃管理工作的通知) promulgated and implemented by the Ministry of Construction on December 26, 2002, the grantee to an land grant contract (i.e., a property developer) shall apply for a Permit for Construction Site Planning from the municipal planning authority with the land grant contract.

After obtaining a construction site planning permit, a property developer shall organize the necessary planning and design work in respect of the planning and design requirements. For the planning and design proposal in respect of a property development project, the relevant reporting and approval procedures required by the “PRC City and Rural Planning Law” (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the NPC in October 2007 and amended in April 2019, as well as local statutes on municipal planning must be followed and a construction works planning permit must be obtained from the municipal planning authority.

On January 21, 2011, the State Council promulgated the “Regulation on Expropriation and Compensation Related to Buildings on State-owned Land” (國有土地上房屋徵收與補償條例) (the “Expropriation and Compensation Regulation”). The Expropriation and Compensation Regulation provides that, among other things:

- (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;
- (ii) compensation shall be paid before the resettlement;
- (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and
- (iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the “Measure for the Administration of Construction Permits for Construction Projects” (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban Rural Development on June 25, 2014 and effective from October 25, 2014 and as amend on September 19, 2018.

A property project developed by a property developer shall comply with the relevant laws and statutes, requirements on construction quality, safety standards and technical guidelines on survey, design and construction work, as well as provisions of the relevant construction contract. After completion of works for a project, the property developer shall organize an acceptance examination according to the “Regulations on the Administration of Quality of Construction Works” (建設工程質量管理條例) promulgated and implemented by State Council on January 30, 2000 and as amended on October 7, 2017 and further amended on April 23, 2019, and the “Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, and shall also report details of the acceptance examination according to the “Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction in April 2000 and as amended in October 2009. Possession of a property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is completed or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and, where such a project is developed in phases, an acceptance examination may be carried out for each completed phase.

Land for Property Development

The provisions of the “Regulations on the Development, Operation and Management of Property” provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall initially be obtained by government grant. Under the “Rules regarding the Grant of State-Owned Land Use Rights for construction by way of Tender, Auction and Listing-for-Sale” (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under the aforementioned regulations, the assignor shall prepare the public tender and competitive bidding documents and shall make an announcement 20 days prior to the day of public auction to announce the basic particulars of the land parcel and the time and venue of the public auction. The assignor shall conduct a vetting process of the bidding applicants and auction applicants, accept an open public tender to determine the winning tender; or hold an auction to ascertain a winning bidder. The assignor and the winning tender or winning bidder shall then enter into a confirmation and, then, into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

On September 24, 2003, the Ministry of Land and Resources issued the “Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market” (關於加強土地供應管理促進房地產市場持續健康發展的通知) designed to strictly control land supply for high-end luxury property development. On May 30, 2006, the Ministry of Land and Resources published an “Urgent Notice on Tightening Land Administration” (關於當前進一步從嚴土地管理的緊急通知). The notice requires that all land used for property development must be assigned by competitive tender, auction or listing-for-sale, and that the supply of land for new villa projects shall be suspended.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the “Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant” (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment level on land premiums to 50% of the total premium and requires the land premium to be paid in full within one year after the signing of a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources promulgated the “Circular on Strengthening Real Estate Land Supply and Supervision” (關於加強房地產用地供應和監管有關問題的通知). Under the circular, the minimum land premium shall not be less than 70% of the benchmark market price in the locality of the parcel of land granted, and the bidding deposit shall not be less than 20% of the minimum land premium. The circular makes further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal is concluded.

The down payment of 50% of the land premium shall be paid within one month of the date of land grant contract. The remaining balance shall be paid in accordance with provisions of the land grant contract within one year.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the “Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development” (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty town and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers’ own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the “Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets” (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that; (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties shall report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal dealing will be confiscated and the relevant land use rights will be withdrawn. Moreover, amending the plot ratio without approval is strictly prohibited.

On January 26, 2011, the State Council circulated the “Notice on Further Regulating the Real Estate Market” (關於進一步做好房地產市場調控工作有關問題的通知), which provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

According to the “Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition)” and the “Catalog for Prohibited Land Use Projects (2012 Edition)” (關於印發《限制用地項目目錄》(2012年本)和《禁止用地項目目錄》(2012年本)) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0.

On September 6, 2012, the Ministry of Land and Resources promulgated the “Notice on Strict Implementation of Land Use Standards and Vigorous Promotion of Economical and Intensive Land Use” (關於嚴格執行土地使用標準大力促進節約集約用地的通知), which stipulates, among other things, that: (a) land use standard shall be strictly implemented and continuously improved. For industrial and commercial land transferred through lawful public tender, auction and listing-for-sale, the administration of land and resources of cities and counties shall establish the requirements related to land use standards for the schemes and announcement of land assignment, include such requirements in assignment contracts and strictly enforce the requirements. Construction lands that are listed in the Catalog for Prohibited Land Use Projects, or that fail to conform to the prescribed conditions in the Catalog for Restricted Land Use Projects, or for which the intensity of investment, floor area ratio, construction coefficient, ratio of green land, or proportion of administrative offices and living facilities land fail to conform to relevant requirements for industrial projects or total area or each functional division area surpasses the required limits or the land area and floor area ratio fails to conform to the conditions of the residential land supply shall not pass the land supply and approval procedures; (b) the format and substantial content of land use standard shall be strictly examined; (c) the implementation of land use

standard shall be further supervised and evaluated; and (d) the land use standard training program shall be given to the officials in land and resources authorities, and such the land use standards shall be widely publicized for the purpose of effectuation.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to improve the Regulation and Control of Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知) which requires, among other restrictive measures, expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply in the past five years.

To support the demand of buyers of residential properties and promote the sustainable development of China’s real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

From September 30, 2016 to date, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers.

On February 13, 2017, the Asset Management Association of China issued the “No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions” (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

The MOHURD and the Ministry of Land and Resources jointly issued the “Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply” (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017–2019) and a five-year (2017–2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

Sale of Commodity Properties

Under the “Measures for Administration of Sale of Commodity Properties” (商品房銷售管理辦法) promulgated by the Ministry of Construction in April 2001, sale of commodity properties can include both post-completion sales and pre-sales.

Any pre-sale of commodity properties shall be conducted in accordance with the “Measures for Administration of Pre-sale of Commodity Properties” (城市商品房預售管理辦法) (the “Pre-sale Measures”) promulgated by the Ministry of Construction in November 1994 and as amended in August 2001 and July 2004, respectively, and the Development Regulations. The Pre-sale Measures provide that pre-sale of commodity properties is subject to certain procedures. According to the Development Regulations and the Pre-sale Measures, a permit shall be obtained before a commodity property may be put up for pre-sale. A developer intending to sell a commodity property before its completion shall make the necessary pre-sale registration with the property development authority of the relevant city or county to obtain a pre-sale permit of commodity properties. A commodity property may only be sold before completion if the following conditions have been met:

- the land premium has been paid in full for the grant of the land use right involved and a land use right certificate has been obtained;
- a construction works planning permit and a construction works commencement permit have been obtained;
- the funds invested in the development of the commodity properties put up for pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and
- the pre-sale has been registered and a pre-sale permit has been obtained.

Local governments also may also have regulations on pre-sales of commodity properties. In Guangdong Province, according to the “Regulations on Administration of Pre-sale of Commodity Properties of Guangdong Province” (廣東省商品房預售管理條例) promulgated by the Standing Committee of Guangdong Provincial People’s Congress in July 1998, as amended in August 2000, July 2010 and September 2014, respectively, and a notice issued by Guangdong Provincial Construction Bureau in January 2001, the following conditions must be satisfied prior to any pre-sale of commodity properties in Guangdong Province:

- a real property development qualification certificate and a business license have been obtained;
- the construction quality and safety monitoring procedures have been performed;
- the structural works and the topping-out must have been completed in respect of properties of not more than seven stories, and at least two-thirds of the structural works must have been completed in respect of properties of more than seven stories;
- a special property pre-sale account with a commercial bank in the place where the project is located has been opened; and
- the properties subject to pre-sale and the related land use rights are free from third-party rights.

In Sichuan Province, under the “Implementation Opinion for the Administration of Pre-sale of Commodity Housing” (關於加強城市商品房預售管理的實施意見) promulgated by the Sichuan Provincial Government in March 2000, any pre-sale of commodity properties in Sichuan Province must satisfy the following conditions:

- the land premium has been paid in full for the grant of the relevant land use right, and a land use right certificate has been obtained;
- a Permit for Construction Works Planning has been obtained;
- in the case of a commodity property with not more than six stories, the structural works and the topping-out must have been completed. In the case of a non-residential property with not more than six stories and a commodity property with seven stories or more, (i) the foundation and

ground floor structural works must have been completed if the building has underground facilities and (ii) the foundation and structural construction for the first six floors must have been completed if the building does not have underground facilities; and

- the construction progress and timetable and the completion date have been fixed.

In Nanjing, Jiangsu Province, under the “City of Nanjing Provisional Measures for the Administration of Sale of Commodity Housing of the City of Nanjing” (南京市商品房銷售管理暫行規定) promulgated by the Nanjing Municipal Government on August 4, 1993, any sale of commodity properties in Nanjing must satisfy the following conditions:

- property development right and approval from the Nanjing Municipal Administration for Industry and Commerce have been obtained;
- the land use right has been obtained from the Nanjing Municipal Land Administration Bureau;
- fixed asset investment permit and project approval from the Nanjing Municipal City Planning Bureau have been obtained;
- application for registration of real property ownership has been made to the Nanjing Municipal Real Estate Administration Bureau;
- for those commodity housing with underground facilities, the fund invested on those facilities must have been more than 20% of the total investment budget of the project. For those commodity properties without underground facilities, the construction of the foundation structure must have been completed; and
- the agreements on the use, management and servicing of the commodity properties must have been formulated.

According to the Pre-sale Measures, the proceeds obtained by a real estate developer from the advance sale of commercial housing must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the real estate administrative departments.

Pursuant to the “Rules Governing the Administration of Urban and Town Property Transactions in Chongqing Municipality” (重慶市城鎮房地產交易管理條例) promulgated on June 7, 2002 and implemented on August 1, 2002 by the Standing Committee of the People’s Congress of Chongqing

Municipality, a property development entity has to comply with the following conditions in order to obtain a “Commodity Property Pre-sale Permit”:

- possesses a business license and the qualification class for property development;
- hold approval documents of land use rights; has paid all premiums in respect of the land use rights obtained by way of grant in accordance with the provisions of land administration laws and regulations and obtained the land use rights certificate;
- holds a construction works planning permit and a commencement of construction works permit;
- in terms of the commodity property available for pre-sale, funds incurred for development and construction have exceeded 25% or more of the total investment for construction works. Where the proposed property for pre-sale is multi-story, the topping of the superstructure has been completed, and for a high-rise, the area under construction has exceeded one-third of the proposed gross floor area approved by planning approvals;
- pre-sale of commodity property proposal. The pre-sale proposal shall specify such information relating to the commodity property, such as the location, fitment standards, works schedule and time of completion and delivery, total area for pre-sale and property management subsequent to delivery and possession, as well as a “Surveying Report of the Area of the Commodity Property for Pre-sale” issued by a professionally competent property surveying organization;

- has opened a designated account for proceeds from pre-sale of commodity property and signed a monitoring agreement with a commercial bank at the location of the project;
- have obtained the demolition permit issued by a property demolition and resettlement complete administration authority for property demolition and resettlement;
- no security right has been created in respect of the proposed commodity property for pre-sale and the land use rights of the land so occupied;
- other conditions as specified by laws and regulations.

According to the “Measures of Property Transactions in Shanghai Municipality” (上海市房地產轉讓辦法) promulgated on April 30, 1997, as amended on September 20, 2000 and April 21, 2004 and December 6, 2010, a property developer must comply with the following requirements in order to obtain a “Commodity Property Pre-Sale Permit”:

- the land premium has been fully paid;
- the real estate ownership have been registered with the relevant authority and real estate ownership certificate have been obtained;
- the developer holds a construction works planning permit;
- the developer holds a permit for the commencement of construction work;
- the completed areas of the properties have reached the required standard;
- the completion time of the properties and the plan for constructing related infrastructure have been confirmed;

In accordance with the above regulation, a property developer must apply to the Housing, Land and Resources Administration Bureau or country housing and land administration authorities of Shanghai Municipality, together with the abovementioned documentations, the floor plans. The review of the application shall be completed within 10 working days and the result of the application will be notified in writing. If the abovementioned requirements are met, the Commodity Property Pre-Sale Permit will be granted.

Under the “Circular of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Good Handling of Stabilizing House Prices” (國務院辦公廳轉發建設部與關於做好穩定住房價格工作意見的通知) promulgated by General Office of the State Council in May 2005, the purchaser of a pre-sold commodity property is prohibited from transferring such pre-sold property before the completion of its construction. Property developers are required to register pre-sales and sales of properties electronically with the local authorities on a real name and real time basis.

On April 13, 2010, the MOHURD issued the “Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses” (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity houses are not allowed to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

On March 16, 2011, NDRC promulgated the “Regulation on Price of Commodity Property” (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect housing prices and relative charges before the property sale, such as commission fee and property management fee. No additional charge beyond what is specified in the price tag or made public by the property developers is permitted.

Real Estate Registration

On November 24, 2014, the State Council promulgated the “Interim Regulations on Real Estate Registration” (不動產登記暫行條例), which became effective on March 1, 2015 and amended on March 24, 2019 and provides for the following, among others:

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region, and such department shall be subject to the guide and supervision by the competent real estate registration authority at the higher level;
- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition, ownership conditions of the real estate and restriction of rights;
- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management database for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic database to ensure the real-time sharing of registration information at the national, provincial, municipal and county level; and
- any right holder or interested party may apply for inquiring about or copying the real estate registration materials, and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose, and no such information may be disclosed to the public or others without the consent of the right holder.

The “Implementing Rules of the Interim Regulations on Real Estate Registration” (不動產登記暫行條例實施細則), effective from January 1, 2016 and amended on July 24, 2019, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

Transfer of Real Estate

According to the Urban Real Estate Law and the “Regulations on Administration of Transfer of Urban Real Estate” (城市房地產轉讓管理規定) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a property owner may sell, bequeath or otherwise legally transfer the property to another person or legal entity. When a property is transferred, the ownership of the property and the land use rights attached to property are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by government grant, the property may only be transferred on the condition that: (i) the land premium has been paid in full and a land use right certificate has been obtained; (ii) development has been carried out according to the land grant contract; and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed, or in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been installed, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by government grant, the term of the land use rights after transfer of the property shall be the remaining life of the original term provided by the land grant contract. In the event that the transferee intends to change the use of the land provided in the original land grant contract, consent shall 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 grant contract or a new land grant contract shall be signed in order to adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, transfer of the property shall be subject to the approval of the government vested with the necessary approval authority as required by the State Council. After such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

Leases of Properties

On December 1, 2010, the MOHURD issued the “Administrative Measures for Commodity Housing Tenancy” (商品房屋租賃管理辦法), according to which parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent governmental construction (real estate) departments of the county, city, or directly-controlled municipality where the housing is located within 30 days of signing the housing tenancy contract. The relevant construction (real estate) departments are authorized to impose a fine of up to RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other legal entities which are not natural persons and which fail to comply with the regulations within the specified time limit.

On June 3, 2016, the General Office of the State Council issued the “Opinions on Accelerating the Cultivation and Development of Leasing Market” (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties.

On July 18, 2017, MOHURD, NDRC and other government departments jointly released the “Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population” (關於在人口淨流入的大中城市加快發展住房租賃市場的通知, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental- and increasing the proportion of rental housing to the commercial residential building projects.

Mortgages of Real Estate

Under the Civil Code of the People’s Republic of China (中華人民共和國民法典) (“PRC Civil Code”) promulgated by the Standing Committee of the National People’s Congress on May 28, 2020 and implemented on January 1, 2021, when a mortgage is created on a legally obtained building, the mortgage is deemed to be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights of a state-owned land which is acquired through means of grant are being mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights collectively owned by town and village enterprises cannot be mortgaged. When the buildings collectively owned by town and village enterprises are mortgaged, the land use rights of the land occupied by the buildings are deemed to be mortgaged at the same time. The mortgage contract shall be in writing.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies” (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) on their third or more residential property or to non-local residents who cannot provide documentation payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of terms of the land contract, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties a household is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD, the Ministry of Finance, CBRC and PBOC jointly promulgated the “Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan” (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that, among other things: (i) where a first-time home buyer (including the borrower, his or her spouse and minor children) applying for housing loans to buy an ordinary residence for self-use with a unit floor area: (a) equal to or less than 90 sq.m., the minimum down payment shall be at least 20%, (b) more than 90 sq.m., the minimum down payment shall be at least 30%; (ii) for a second-time home buyer applying for housing loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing loan will only be available to families whose per capital housing area is below the average in locality and such loan must only be used to purchase an ordinary residence for self-use to improve living conditions; and (iv) housing loans to families for their third or more residential property purchase will be suspended.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the “Notice on Further Strengthening Regulation and Control of Real Property Markets”, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to purchase.

On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among others things, that for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. Since August 2014, most of the local governments have issued their respective measures to lift the housing purchase restrictions. For example, Foshan eased its home purchase restriction on August 7, 2014 by allowing non-residents to buy one housing unit and registered local residents to buy up to two units.

To support the demand of buyers of residential properties and promote the sustainable development of China’s real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the “Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund” (關於調整住房公積金個人住房貸款購房最低比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

In February 2016, PBOC and CBRC jointly issued the Circular on Issues Concerning Adjusting the Individual Housing Loan Policies (關於調整個人住房貸款政策有關問題的通知), which provides that in cities where restrictions on the purchase of residential property have not been implemented, the minimum down payment ratio for a first-time home buyer is, in principle, 25% of the property price, which can be adjusted downward by 5% by the local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. In cities that have implemented restrictions on the purchase of residential property, the personal housing commercial loan policies shall remain unchanged.

Real Estate Financing

The PBOC issued the “Circular on Further Strengthening the Management of Loans for Property Business” (關於進一步加強房地產信貸業務管理的通知) in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans should be granted to property developers that are qualified for property development, with high credit ratings and have no overdue payment for construction. For property developers with a high vacancy rate of commodity properties and high debt ratio, banks shall apply more stringent approval procedures for new property development loans and closely monitor their activities.
- Commercial banks shall not grant loans to property developers to finance the payment of land premium.
- Commercial banks may not provide loans in any form for a property development project without a land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit.
- Commercial banks may only provide housing loans to individual purchasers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. For any additional purchase of residential unit(s), the percentage of the first installment shall be increased.
- When a borrower applies for mortgage loan of individual commodity property, the mortgage shall not be more than 60% of the purchase price of the property. In addition, the tenure of the loan may not be more than 10 years and the commodity house shall be completed and delivery accepted after inspection.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a GFA of 90 sq.m. or more, effective on June 1, 2006. See “— Measures on Stabilizing Housing Prices” below.

The State Council issued the “Circular on Facilitating the Continuously Healthy Development of Property Market” (關於促進房地產市場持續健康發展的通知) issued by the State Council in August 2003, which contains a series of measures to control the property market. They include, but are not limited to, strengthening the construction and management of economical houses, increasing the supply of ordinary commodity properties and controlling the construction of high-end commodity properties. The PRC government also adopted a series of measures in respect of property development loans, which include placing greater effort on provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring procedures over property loans. It is expected that the circular should have a long-term positive effect on the development of the PRC property market by facilitating the healthy growth of the PRC property market.

Pursuant to the “Guidance on Risk Management of Property Loans Granted by Commercial Banks” (商業銀行房地產貸款風險管理指引) issued by the CBRC in September 2004, any property developer applying for property development loans must have at least 35% of the total capital required for the development and a commercial bank should maintain a strict loan system for considering applications for property development loans.

Under the “Notice of the People’s Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve” (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by the PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued “Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices” (關於調整住房供應結構穩定住房價格的意見). These opinions stipulate that a commercial bank shall not lend funds to property developers with an internal capital ratio of less than 35%, or grant revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, or take commodity properties which have been vacant for more than three years as security for mortgage loans. The opinions also require that, from June 1, 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 sq.m. or more.

On July 10, 2007, SAFE issued a circular indicating that, for foreign-invested enterprises in the property sector, it would not process any foreign debt registration applications or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM after June 1, 2007.

On September 27, 2007, the PBOC and the CBRC issued the “Circular on Strengthening the Credit Management for Commercial Real Property” (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property for use as one’s own residence;
- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price; and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a household (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the household that buys another residential unit with loans from banks will be regarded as a second time home buyer;
- for commercial property purchases, (i) prohibiting banks from financing any purchase of pre-sold properties; (ii) increasing the minimum amount of down payment to 50% of the purchase price; (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate; and (iv) limiting the tenure of such bank loans to no more than ten years, although commercial banks are allowed some discretion based on its risk assessment;
- for purchases of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

According to the notice on “Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans” (擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房), the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20% for units with an area of less than 90 sq.m.

In January 2010, the General Office of the State Council issued a “Circular on Facilitating the Stable and Healthy Development of Property Market” (關於促進房地產市場平穩健康發展的通知), adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance on the purchase of property, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a household (including a borrower, his or her spouse and children under 18), which has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the “Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities” Guofa (2010) No. 10 (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property with an area of more than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the “Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Commercial Personal Housing Loans” (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, 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 the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies” (關於完善差別化住房貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is increased to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation evidencing payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of violating the terms of the land grant, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities, such as Guangzhou, Shenzhen, Foshan, Zhuhai, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian have promulgated measures restricting the number of residential properties a household is allowed to purchase.

In November 2010, MOHURD and SAFE jointly promulgated the “Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals” (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, a foreign individual can only purchase one unit of residential property for self-use in the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential properties for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are excessively high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or

non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the “Notice on Further Strengthening Regulation and Control of Real Property Markets”, certain cities, including Beijing, Shanghai, Chengdu, Qingdao, Hainan, Nanjing, Guangzhou, Tianjin, Shenyang and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. On November 15, 2013, the General Office of the People’s Government of Guangzhou issued the “Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market” (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires the Guangzhou Branch of PBOC to further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

To support the demand of buyers of residential properties and promote the sustainable development of China’s real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

On August 25, 2019, PBOC issued the Announcement of the People’s Bank of China No.16 2019 under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

Property Management

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version), property management business does not falls within negative list. According to the Guidance Catalog and the relevant requirements set out under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a Sino- foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly owned foreign enterprise. Before the SAIC registers a foreign-invested enterprise as a foreign-invested real estate management enterprise, the foreign-invested real estate management enterprise should obtain an approval from the relevant department of commerce and receive a “foreign-invested enterprise approval certificate.”

According to the “Regulation on Real Estate Management” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the “Measures for Administration of Qualifications of Real Estate Management Enterprises” (物業管理企業資質管理辦法) enacted by the Ministry of Construction on March 17, 2004 and enforced on May 1, 2004, a newly established real estate management enterprise shall, within 30 days of receiving its business license, apply to the applicable local authority for the grant of qualification certificate. The applicable local authority will assess the qualification of the applicant and issue a “real estate management qualification certificate” based on assessment. The Ministry of Construction amended the “Measures for Administration of Qualifications of Real Estate Management Enterprises” on November 26, 2007 and changed its title to “Measures for Administration of Qualifications of Real Estate Service Enterprises” (物業服務企業資質管理辦法). The amendment removed the requirement of annual inspection of real estate management enterprises and replaced the references to “real estate management enterprises” with references to “real estate service enterprises.”

According to the “Measures for the Administration on Qualifications of Real Estate Service Enterprises,” real estate service enterprise shall be accredited as class one, class two or class three of qualification. The Department of Construction of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government are responsible for issuing and administering the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government are responsible for issuing and administering the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualification may undertake various property management projects. The real estate service enterprises with class two qualification may provide property management services to residential properties of less than 300,000 sq.m. of GFA and non-residential properties of less than 80,000 sq.m. of GFA. The real estate service enterprises with class three qualification may provide property management services to residential properties with less than 200,000 sq.m. of GFA and non-residential properties with less than 50,000 sq.m. of GFA.

According to the PRC Civil Code, the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than 66.7% of the owners who in the aggregate hold more than 66.7% of the total uncommunal area of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

However, on March 8, 2018, the Measures on Administration of Qualification Certificates of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property services.

Insurance

There is no mandatory provision in under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. According to the common practice of the real estate industry in Guangdong, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party’s liability risk, employer’s liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

Hotel Development

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version), Construction and operation of common and economic hotels does not fall within negative list.

A foreign-invested enterprise engaging the hotel business can set up an enterprise in the form of Sino-foreign equity joint venture, Sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Guidance Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

Hotel developments in China are also subject to regulations governing property development generally, including those relating to land use, project planning and construction.

Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operations of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Supervision on security and fire control

Pursuant to the “Measures for the Control of Security in the Hotel Industry” (旅館業治安管理辦法) issued by the Ministry of Public Security of the People’s Republic of China and enforced on November 10, 1987 and amended on January 8, 2011 and November 29, 2020, a hotel can start operations only after obtaining an approval from the local public security bureau and being issued a business license. The hotel operators should make a filing with the local public security bureau and its branches in the county or city, if the hotel operators has any material change such as closing, transferring business or merging into other business, changing place of business and name. Pursuant to the “Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions” (機關、團體、企業、事業單位消防安全管理規定) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, hotels (or motels) are subject to special regulation in terms of fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or reconstruction project is completed, a hotel can only open for business after passing a fire control inspection.

Supervision on public health

According to relevant regulations and rules in relation to public health, hotels are subject to public health regulation. The operating enterprise should gain the sanitation license. The measures for granting and managing sanitation license are formulated by public health authority of the province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

Supervision on entertainment

According to the “Regulation on the Administration of Entertainment Venues” (娛樂場所管理條例) enacted by the State Council on January 29, 2006 and effective on March 1, 2006 and as amended in February 2016, and further amended on November 29, 2020, hotels that operate singing, dancing and game facilities for profit should apply to the relevant local competent authorities of culture administration for entertainment commercial operations approvals. The relevant local competent authorities for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions by the competent authorities of entertainment administration under the State Council in its approval. According to the regulations concerning broadcast, movies and television, hotels with three stars or above or with the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the

approval from broadcast and television administration from the relevant provincial, regional and municipal government and the approval from state security administration, the permit of receiving foreign television program from satellite is issued.

Supervision on disposition of sewage and pollutants

According to “Regulations of the Ministry of Construction on the Conditions for the Fifteen Items of Administrative Licensing that are Included in the Decisions of the State Council” (建設部關於納入國務院決定的十五項行政許可的條件的規定) enacted by the Ministry of Construction on October 15, enforced on December 1, 2004, hotels that use or plan to use the city sewage system for water drainage should apply to the local city construction authority for city water-draining permit.

Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers are treated as special equipment under relevant PRC regulations. According to the “Regulations on Security Supervision of Special Equipment” (特種設備安全監察條例) enacted by the State Council on January 24, 2009 and enforced on May 1, 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should undergo periodic inspection by the special equipment examination institution.

Major Taxes Applicable to Property Developers

Income Tax

According to the EIT Law which was promulgated by the National People’s Congress on March 16, 2007 and became effective on January 1, 2008 and as amended on February 24, 2017 and December 29, 2018, respectively, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the EIT Law and its implementation rule provide that a withholding tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

Business Tax and Value Added Tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Business Tax” (中華人民共和國營業稅暫行條例) promulgated by the State Council in 2008, the tax rate of the transfer of immovable properties, their superstructures and attachments is 5%. The business tax rate for our property management and hotel operation businesses is also 5%. Pursuant to the “Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax” (關於全面推開營業稅改徵增值稅試點的通知) and the “Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax” (營業稅改徵增值稅試點實施辦法) issued by the MOF and SAT on March 23, 2016. On May 1, 2016, the “transitioning from business tax to value-added tax” scheme became effective. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Pursuant to the “Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers” (房地產開發企業銷售自行開發的房地產專案增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by SAT, “self- development” means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company (“taxpayer”). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estate self-development in accordance with the following formula:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) X 3%

The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects which commencement dates of construction are not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 but has yet to receive Construction Permits.

On November 19, 2017, the Interim Regulations of the People's Republic of China on Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax. According to a notice jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the VAT rate has been lowered from 17 percent to 16 percent for manufacturing and some other industries, and from 11 percent to 10 percent for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. Starting from April 1, 2019, the VAT rate for real estate industry has been lowered from 10% to 9%.

LAT

According to the requirements of the “Provisional Regulations of the People's Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例) (the “Provisional Regulations”) promulgated on December 13, 1993, effective on January 1, 1994 and amended on January 8, 2011, and the “Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax” (中華人民共和國土地增值稅暫行條例實施細則) (the “Detailed Implementation Rules”) promulgated and effective on January 27, 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to LAT. LAT is levied according to four progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the “Provisional Regulations, the Detailed Implementation Rules” and the “Notice Issued by the Ministry of Finance in Respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994” (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) announced by the Ministry of Finance and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- Property taken over and repossessed according to the law due to the construction requirements of the government;

- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities' approval;
- For property assignments which were signed before January 1, 1994, whenever the properties are transferred, the LAT shall be exempted;
- Either when the property assignments were signed before January 1, 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Administration of Taxation, the tax-free period would then be appropriately prolonged.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership certificate.

The State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation in Respect of Enhancing the Administration of Land Appreciation Tax" (關於加強土地增值稅管理工作的通知) in order to further clarify the taxpayers' duties in relation to filing of periodic tax returns. On August 5, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax" (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the "Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax" (關於土地增值稅若干問題的通知). The Circular stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.
- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.

- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the “Administrative Law of the People’s Republic of China on the Levying and Collection of Taxes.”
- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.
- For taxpayers whose shareholders or joint-cooperation partners contributed real properties as capital to such taxpayers, the temporary tax exemption in relation to ordinary residential properties does not apply.

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007.

Pursuant to the notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole uncompleted development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancelation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT enforcement, in May 2009, the State Administration of Taxation released the “Rules on the Administration of the Settlement of Land Appreciation Tax” (土地增值稅清算管理規程), which became effective on June 1, 2009.

On May 19, 2010, the State Administration of Taxation has issued the “Circular on Issues Concerning Settlement of Land Appreciation Tax” (關於土地增值稅清算有關問題的通知) which clarifies revenue recognition in the settlement of LAT and other relevant issues. According to the said circular, in the settlement of LAT, if the sales invoices of commodity properties are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity properties are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other proceeds. If the area of a commodity property specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey, and if purchase price for the property is made up or refunded before the settlement of LAT, adjustments shall be made accordingly in the calculation of LAT. The said circular also provides that the deed tax paid by a real estate development enterprise for land use rights shall be treated as the “relevant fees paid in accordance with the uniform regulations of the state” and be deducted from the “amount paid for land use rights.”

On May 25, 2010, the State Administration of Taxation published the “Circular on Strengthening the Collection and Administration of Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知) to require all local governments to scientifically formulate the tax rate and strengthen provisional LAT

taxation. According to this circular, all local governments shall make adjustments to the current provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%. The local governments shall determine the provisional LAT rate applicable to different types of real estate.

Deed Tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Deed Tax” (中華人民共和國契稅暫行條例) promulgated by the State Council in July 1997 and as amended on March 2, 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%-5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record. Pursuant to the “Implementation Provisions on Deed Tax in Guangdong Province” promulgated by the People’s Government of Guangdong in May 1998, the rate of deed tax in Guangdong is 3%.

Urban Land Use Tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land” (中華人民共和國城鎮土地使用稅暫行條例) implemented by the State Council on November 1, 1988 and amended on December 31, 2006 and January 8, 2011, and further amended on December 7, 2013 and March 2, 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the “Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China” promulgated by the Ministry of Finance on November 2, 1988 and the “Approval on Land Use Tax Exemption of Foreign-Invested Enterprises” issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Property Tax

Under the “Interim Regulations of the People’s Republic of China on Property Tax” (中華人民共和國房產稅暫行條例) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986, and amended on January 8, 2011, the property tax rate is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

On January 27, 2011, the government of Chongqing Municipality issued the “Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties” (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the “Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties” (重慶市個人住房房產稅徵收管理實施細則), each effective on January 28, 2011. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from January 28, 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years, and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax rates at 0.5%, 1% or 1.2%, respectively, of the property’s purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax rate at 0.5% of the property’s purchase price. The following area will be deductible from the tax base: (i) 180

sq.m. for stand-alone residential properties (such as villas) purchased before January 28, 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for a household, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the “Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai” (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

Stamp Duty

Under the “Interim regulations of the People’s Republic of China on Stamp Duty” (中華人民共和國印花稅暫行條例) promulgated by the State Council in August 1988 and amended on January 8, 2011, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Municipal Maintenance Tax

Under the “Interim Regulations of the People’s Republic of China on Municipal Maintenance Tax” (中華人民共和國城市維護建設稅暫行條例) implemented on February 8, 1985 and amended on January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the “Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals” (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the “Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises” (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

Education Surcharge

Under the “Interim Provisions on Imposition of Education Surcharge” (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005 and further amended on January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the “Notice of the State Council on Raising Funds for Schools in Rural Areas” (國務院關於籌措農村學校辦學經費的通知). Under the “Supplementary Notice Concerning Imposition of Education Surcharge” (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises” and the “Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises” issued by the State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid “Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals”, from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid “Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises”, foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

Measures on Stabilizing Housing Prices

The General Office of the State Council promulgated the “Circular on Stabilizing Housing Prices” (關於切實穩定住房價格的通知) in March 2005 requiring measures to be taken to keep housing prices from increasing too fast and to promote the healthy development of the property market. The “Opinions on Work of Stabilizing Housing Price,” jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Administration of Taxation and the CBRC in April 2005 provides that:

- Where housing prices grow too fast at a time when the supply of medium- or low-priced ordinary commodity houses and affordable housing is insufficient, construction of new names should mainly focus on projects of medium- or low-priced ordinary commodity houses and affordable housing. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium- or low-priced ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the property authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be established as preconditions of land grant to ensure adequate supply of medium- or low-priced houses and houses with medium or small area. Local governments are asked to strengthen the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those not in compliance with the planning permits shall have their permits revoked.
- Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.
- Idle land fee shall be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use right of land that has not been developed for two years shall be forfeited without compensation.
- Starting from June 1, 2005, business tax on the transfer of a residential house by an individual within two years from date of purchase shall be levied on the basis of the full amount of the income therefrom. For an individual having transferred an ordinary residential house for two years or more from date of purchase, the business tax will be exempted. For an individual having transferred a residential property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the difference between the income from selling the house and the purchase price.
- Low- to medium-cost ordinary residential houses with medium or small area may enjoy such preferential policies as planning permit, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the floor area of a single unit is less than 120 sq.m., and the actual transfer price is lower than 1.2 time of the average transfer price of houses located on the land of the same level. The local government of a province, autonomous region or municipality may, based on actual circumstances, set up the specific standard for ordinary residential houses enjoying the preferential policies. Under the “Circular on Setting up the Standard for Ordinary Residential House in Guangdong Province” issued by Guangdong Provincial Construction Bureau in June 2005, ordinary houses in Guangdong Province enjoying preferential policies must also

satisfy the following conditions: the plot ratio of the residential district is above 1.0, the gross floor area of one single unit is less than 120 sq.m. or the internal gross floor area of a single unit is less than 144 sq.m., and the actual transfer price is lower than 1.44 time of the average transfer price of houses located on the land of the same level.

- The transfer of uncompleted commodity properties by any pre-sale purchaser shall be prohibited. A system shall be adopted to require purchasers to buy properties in their real names. Any commodity property pre-sale contract shall be filed through the Internet immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued the “Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices” (關於調整住房供應結構穩定住房價格的意見). Such opinions reiterated the existing measures and introduced new measures intended to further curtail the rapid increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include the following:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA less than 90 sq.m. per unit and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the project, of less than 35%; restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties; and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a residential property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On May 30, 2006, the Ministry of Land and Resources published the “Urgent Notice on Tightening Land Administration” (進一步從嚴土地管理的緊急通知). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations regarding penalty on and forfeiture of idle land. In this notice, the Ministry of Land and Resources also requires local governments to investigate on illegal use of land and submit a report on such investigations to the Ministry of Land and Resources by the end of October 2006.

To carry out “Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices,” the Ministry of Construction promulgated “Opinions on Carrying Out Structure Proportion of Newly- Built Housing” (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- from June 1, 2006, in any city (including county), the floor area of the housing which is less than 90 sq.m. should total at least 70% of the total floor area of commercial commodities newly approved or constructed in a given year;
- according to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings and that such buildings conform to the structure proportion requirements. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permits should not be issued by the municipal planning authority if there is any noncompliance with the planning permits; certifications should not be issued by the authority charged with censoring construction documents; construction works permits should not be issued by the construction authority; permits for pre-sale of commodity buildings should not be issued by the property development authority; and
- for projects which were approved before June 1, 2006 but that have not obtained construction permits, the city governments should adjust specific projects to conform to the structure proportion requirements in that year.

Also on July 6, 2006, the Ministry of Construction, the NDRC and the SAIC promulgated the “Notice for the Further Rationalization and Standardization of the Real Estate Market” (關於進一步整頓規範房地產交易秩序的通知) with serial code of JZF 2006 No. 166, or the “166 Notice.” According to the 166 Notice:

- a real estate developer must commence selling the property within 10 days of the receipt of the pre-sale permit for the project;
- the resale of any unit of a pre-sold uncompleted commodity building is prohibited;
- the advertisement of pre-sale prior to obtaining the relevant pre-sale permit is prohibited; and
- standard forms for the sale and purchase of a unit of a commodity building before or after its completion must be made available to a purchaser.

On July 11, 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly promulgated the “Opinions on Regulating the Admittance and Administration of Foreign Capital in the Real Estate Market,” (關於規範房地產市場外資准入和管理的意見) which provided as follows:

- an overseas entity or individual investing in real estate in China other than for self-use shall apply for the establishment of a foreign-invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;
- the registered capital of a foreign-invested real estate enterprise with a total investment of US\$10 million or more shall not be less than 50% of its total investment amount, whereas for a foreign-invested real estate enterprise with a total investment of less than US\$10 million, the current rules on registered capital shall apply;
- a newly established foreign-invested real estate enterprise can only obtain an interim approval certificate and business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid;
- an equity transfer of a foreign-invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the relevant commerce administration authorities. The investor shall submit a letter to the relevant commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;
- foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors’ equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise’s employees and bank loans are properly handled with in accordance with applicable PRC laws;

- if the registered capital of a foreign-invested real estate enterprise is not yet fully paid, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the foreign-invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans;
- the investors in a foreign-invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and
- a branch or representative office established by a foreign investor in China (other than a foreign-invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued “Notice in respect of Standardization of Issues Relating to Management of Foreign Exchange of Real Estate Market” (關於規範房地產市場外匯管理有關問題的通知). This notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin.

On May 23, 2007, MOFCOM and SAFE promulgated the “Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry” (關於進一步加強、規範外國直接投資房地產審批和監管的通知) (Shang Zi Han No. 50, 2007) which was amended in October 2015. The circular provides stricter controlling measures including, among others:

- Where the application is filed for establishment of the real estate company, the land use rights, the ownership of the real property should be obtained first, or the pre-assignment/purchase agreement has already been concluded with the land administration authority, land developer/owner of the real property. If the above requirements have not been satisfied, the approval authority shall not approve the application.
- Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled.

Overseas investors may not avoid approval for foreign investment in real estate by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested real estate enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise’s conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.

- Agreement as to any fixed return or of the same effect for either party of a foreign-invested real property enterprises is prohibited.
- The local SAFE administrative authority and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the Ministry of Construction’s filing requirement.

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and/or commence development on the land, effective November 1, 2007.

Pursuant to the notice on “Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans,” (擴大商業性個人住房貸款利率下浮幅度) the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%. On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the “Notice on the Adjustments to Taxation on Real Property Transactions” (關於調整房地產交易環節稅收政策的通知), pursuant to which, from November 1, 2008, the rate of deed tax has been

reduced to 1% for a first time home buyer of an ordinary residence with a unit floor area less than 90 sq.m., individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from LAT.

On December 20, 2008, the General Office of the State Council issued the “Several Opinions on Facilitating the Healthy Development of the Real Estate Market” (關於促進房地產市場健康發展的若干意見), which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and an ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price;

(iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to “low-to medium-level price” or “small-to medium-sized” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a “Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties” (關於調整個人住房轉讓營業稅收政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner’s purchase. This notice became effective on January 28, 2011 and was replaced by a notice of the same name on March 13, 2015, which stipulated that business tax is imposed on (i) the full amount of transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the date of the individual owner’s purchase.

On February 20, 2013, the executive meeting of the State Council chaired by Premier Wen Jiabao issued a document emphasizing the strict implementation of tightening measures for the real estate market. The measures include completing a system of responsibility for stabilizing housing prices; restraining purchases of residential housing for investment and speculation purposes; expanding the supply of both ordinary commodity housing and of land; accelerating construction of affordable housing projects; and strengthening market supervision.

On February 26, 2013, the General Office of the State Council announced the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city; (ii) for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties; and (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration. On November 15, 2013, the

general office of the People's Government of Guangzhou issued the "Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market" 《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the speeding up of low-cost commodity housing supply and controlling of high-end commodity housing supply. The low-density commodity housing projects under construction will be approved for sale only after the completion of the initial registration of the real estate; (2) non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for three consecutive years are permitted to purchase only one house (including newly built houses and second-hand houses); and (3) the Guangzhou Branch of PBOC should further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

On September 30, 2014, the PBOC and CBRC jointly issued the "Notice on Further Improving Financial Services for Real Estate Sector" (關於進一步做好住房金融服務工作的通知), which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued the "Notice on Relevant Issues Concerning the Individual Housing Loan Policy" (關於個人住房貸款政策有關問題的通知), which provides that where households that own a residential property and have not paid off their existing mortgage loan applies for a new mortgage loan to buy another residential property to improve their living conditions, the minimum down payment will be 40% of the property price, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower.

On February 1, 2016, the PBOC and CBRC jointly issued the "Notice on the Adjustment of Individual Housing Loans Policies" (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

On October 10, 2016, the MOHURD issued the "Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order" (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building to the relevant property administrative authorities.

Pursuant to the "Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices" on May 9, 2005, there are several regulations when conducting commodity building transactions:

- A buyer of a commodity building is prohibited from conducting any transfer of a pre-sold commodity before completion of construction and obtaining the Property Ownership Certificate. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the registration organ of the property administration shall not record the application of property ownership.
- A real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the Ministry of Construction, the NDRC, and the SAIC jointly promulgated “Notice on Reorganizing and Regulating the Transaction Procedures of Property” (關於落實新建住房結構比例要求的若干意見) the details of which are as follows:

- A developer should start to sell the commodity buildings within 10 days after receiving the permit for pre-sale of commodity buildings. Without this permit, the pre-sale of commodity buildings is prohibited, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments.
- The property administration authority should establish an immediate network system for pre-sale contracts of commodity buildings and the system should, issue the transaction information of a piece of property. The basic location and information of the commodity building, the schedule of the sale and the rights status should be duly, truly and fully published on the network system and at the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but which is still under construction.
- Without the permit for pre-sale of commodity buildings, no advertisement of the pre-sale of commodity buildings may be issued.
- The property developers with a record of serious irregularity or developers which do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in such sale activities.
- The property administration authority should strictly carry out the regulations of the pre-sale contractor registration and record and apply the real name system for house purchases.

Foreign Exchange

With effect from January 1, 1994, the PRC government abolished its two-tier exchange rate system and replaced it with a unified floating exchange rate system based largely on supply and demand. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the exchange rate published by the PBOC according to market condition. However, despite such developments, RMB is still not a freely-convertible currency.

Pursuant to the Foreign Exchange Control Regulations of the PRC issued by the State Council which came into effect on April 1, 1996 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, which came into effect on July 1, 1996, foreign investment enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange from their foreign exchange bank accounts in the PRC.

If foreign investment enterprises require foreign exchange services for transactions relating to current account items, they may, without approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof. If such enterprises need foreign exchange services for the distribution of dividends to their shareholders, they may, on the strength of a board of directors resolution authorizing the distribution of dividends and any other relevant documents, effect payment from their foreign exchange accounts and make such payments at the designated foreign exchange bank.

However, convertibility of foreign exchange in respect of capital account items, like direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought.

On April 28, 2013, SAFE issued the “Notice regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈〈外債登記管理辦法〉的通知), which became effective on May 13, 2013 and includes three appendices: (i) Administrative Measures on Foreign Debt Registration, (ii) Operating Guidelines for Foreign Debt Registration Administration, and (iii) List of Repealed Regulations. The measures stipulate the general provisions on foreign debt registration, administrative provisions on foreign debt account management, use and settlement of foreign debt funds, foreign guarantee for domestic loans, foreign exchange managements for outbound transfer of non-performing assets, as well as relevant penalty provisions. The Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引) provide specific operational rules in relation to foreign debts administration, which contain 15 items. Among these 15 items, foreign debt registration of foreign invested real estate enterprises is regulated as follows: (i) foreign invested real estate enterprises established before June 1, 2007, which have increased the registered capital on and after June 1, 2007, may raise foreign debt financing limited to the balance of the difference between its total investment and registered capital. Provided that such difference between its total investment and registered capital after increasing its capital is smaller than that of before increasing its capital, the smaller one shall prevail, (ii) that SAFE will no longer process foreign debt registration or foreign exchange settlement for foreign debt for foreign invested real estate enterprises that obtained approval certificates from and filed with MOFCOM on or after June 1, 2007, and (iii) foreign invested real estate enterprises of which the registered capital has not been fully paid, the land use rights certificate has not been obtained, or the project capital is less than 35% of the total investment of the project, are prohibited from raising foreign debt financing, and SAFE will not process foreign debt registration for such enterprises.

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts 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) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system.

On May 11, 2013, SAFE issued the “Notice on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Ancillary Documents” (國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知), which includes three appendices as follows: (i) the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China, (ii) the List of Repealed Regulations on Foreign Exchange Administration over Direct Investment in China, and (iii) the Business Operating Guidelines for Domestic Direct Investment.

The “Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China” (外國投資者境內直接投資外匯管理規定), effective on May 13, 2013, set out the general principles for foreign exchange control in direct investments by foreign investors, and specific provisions on the foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments by foreign investors. The provisions apply to foreign investors setting up foreign invested enterprises, foreign invested projects and foreign invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises.

On January 10, 2014, SAFE issued the “Notice of the State Administration of Foreign Exchange on the Further Improvement and Adjustment of the Foreign Exchange Control Policy for Capital Projects” (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知), effective on February 10, 2014, which provides for, among others: (i) loosening of certain administrative procedures for the initial expenses outlay for overseas direct investments by domestic enterprises; (ii) loosening of certain restrictions on overseas lending by domestic enterprises; (iii) simplifying the procedures for remitting profits offshore by domestic enterprises.

In March 30, 2015, the SAFE issued “Notice on the Reform of Foreign Investment Enterprises of Foreign Exchange Capital Settlement Management” (關於改革外商投資企業外匯資本金結匯管理方式的通知) which will be effective since June 1, 2015. The notice provides that a voluntary foreign exchange settlement system will be established. On June 9, 2016, SAFE issued the “Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement” (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On October 23, 2019, SAFE issued the Circular to Further Promote Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this offering memorandum.

Name	Age	Position
Mr. CHEN Zhuo Lin	59	Chairman, President and Executive Director
Mr. CHAN Cheuk Yin	53	Vice Chairperson and Non-executive Director
Madam LUK Sin Fong, Fion ⁽¹⁾⁽³⁾	59	Vice Chairperson and Non-executive Director
Mr. CHAN Cheuk Hung ⁽⁴⁾	64	Executive Director and Vice President
Mr. HUANG Fengchao ⁽⁴⁾	58	Executive Director
Mr. CHEN Zhongqi ⁽⁴⁾	53	Executive Director
Mr. CHAN Cheuk Hei	62	Non-executive Director
Mr. CHAN Cheuk Nam	58	Non-executive Director
Dr. CHENG Hon Kwan ⁽¹⁾⁽²⁾⁽³⁾	93	Independent Non-executive Director
Mr. KWONG Che Keung, Gordon ⁽¹⁾⁽²⁾⁽³⁾	71	Independent Non-executive Director
Mr. HUI Chiu Chung, Stephen ⁽¹⁾⁽²⁾⁽³⁾	73	Independent Non-executive Director
Mr. WONG Shiu Hoi, Peter ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	80	Independent Non-executive Director
Mr. PAN Zhiyong	51	Vice President
Mr. WANG Haiyang	50	Vice President
Madam YUE Yuan	45	Vice President
Mr. LIU Tongpeng	50	Vice President
Madam DING Xiaoying	45	Vice President
Mr. CHEUNG Lap Kei	49	Company Secretary

Notes:

- (1) Member of the Remuneration Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Nomination Committee.
- (4) Member of the Risk Management Committee.

DIRECTORS

Our Board of Directors consists of 12 directors, four executive directors, four non-executive directors and four independent non-executive directors. Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam are brothers and Madam Luk Sin Fong, Fion is the spouse of Mr. Chen Zhuo Lin. Our Directors are elected at the Company's shareholder meetings for a term of three years, renewable upon re-election and re-appointment.

A description of business experience and present positions of each Directors is provided below.

Mr. CHEN Zhuo Lin (陳卓林), aged 59, is the Chairman of the Board and the President of the Company. Mr. Chen is the founder of the Group. He has been the Chairman of the Board and an executive Director since August 2005 and a President of the Company since March 2014. Mr. Chen is also a director of certain subsidiaries of the Company. Mr. Chen has over 28 years of extensive experience in real estate development and management. He is mainly responsible for the formulation of development strategies, directions on the operations and management of overall business, decision-making on investment projects, setting the goal of the financial year for the Group and maintaining the relationship between the Group and the Shareholders. Mr. Chen received several honorary awards, including "World Outstanding Chinese Award (世界傑出華人獎)", "Top 30 Chinese Philanthropist in 30 Years of Reform (改革開放30年，華人慈善30人)", "China Philanthropy Outstanding Contribution Individual Award (中華慈善突出貢獻人物獎)", "Top 10 Persons of the Year for China Enterprise Management Excellence Award (中國企業十大卓越管理年度人物)", "Year of the People in Education of Zhongshan (中山教育年度人物)" and "Honourary Resident in Zhongshan (中山市榮譽市民)". For the public services, Mr. Chen serves as an executive vice chairperson of the 5th China Federation of Overseas Chinese Entrepreneurs (中國僑商聯合會), an executive director of the 5th China Overseas Friendship Association (中華海外聯誼會), an honorary vice president of Chinese Language and Culture Education Foundation of China (中國華文教育基金會), an honorary chairperson of the 4th Council of Sun Yat-sen Foundation (孫中山基金會), the executive vice chairperson of the 5th Council of Guangdong Overseas Chinese Enterprises Association (廣東省僑商投資企業協會), an executive chairperson of the 4th Council of Guangdong Real Estate Chamber of Commerce (廣東省地產商會), the chairperson of the Bureau of Friends of Hong Kong Association Development Foundation, the vice

president of New Home Association, the vice chairperson of the 5th Zhongshan Overseas Chinese Commercial Association (中山市僑資企業商會) and a special counsellor of Our Hong Kong Foundation. Mr. Chen is the brother of Chan Cheuk Yin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam and also the spouse of Luk Sin Fong, Fion. Mr. Chen is a director of each of Top Coast Investment Limited (“Top Coast”) and Full Choice Investments Limited (“Full Choice”).

Mr. CHAN Cheuk Yin (陳卓賢), aged 53, has been the Vice Chairperson of the Board and a non-executive Director since 25 March 2015. He was an executive Director and Vice Chairperson of the Board and Co-president of the Company from August 2005 to 28 March 2014; a non-executive Director from 28 March 2014 to 10 October 2014; an executive Director and an Acting Co-chairperson of the Board and Acting Co-president of the Company from 10 October 2014 to 25 March 2015. Mr. Chan is also a director of certain subsidiaries of the Company. He has over 28 years of extensive experience in real estate development and management. Mr. Chan is mainly responsible for providing advice to the Board on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and the review of the Group’s performance. Mr. Chan received several honorary awards, including “Guangdong Province Outstanding Entrepreneurs of Privately-owned Enterprises (廣東省優秀民營企業家)”, “2006–2007 The Most Respected Entrepreneurs in Guangzhou, PRC (2006–2007年中國廣州最受尊敬企業家)” and “Top 10 Philanthropist in Guangdong (廣東十大慈善人物)”. For the public services, he is an honorary chairperson of the 3rd Council of Guangdong Provincial Qiaoxin Charity Foundation (廣東省僑心慈善基金會). He was also an honorary vice chairperson of China Charity Federation (中華慈善總會) in 2007 and the executive chairperson of Guangdong Real Estate Chamber of Commerce (廣東省地產商會). Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam and the brother-in-law of Luk Sin Fong, Fion. Mr. Chan is a director of Full Choice.

Madam LUK Sin Fong, Fion (陸倩芳), aged 59, has been the Vice Chairperson of the Board and a non-executive Director since 25 March 2015. She was an executive Director, Vice Chairperson of the Board and Co-president of the Company from August 2005 to 28 March 2014; a non-executive Director from 28 March 2014 to 10 October 2014; an executive Director, an Acting Co-chairperson of the Board and an Acting Co-president of the Company from 10 October 2014 to 25 March 2015. She is also a member of the remuneration committee and the nomination committee of the Board and a director of certain subsidiaries of the Company. Madam Luk has over 28 years of extensive experience in real estate development and management; in particular she has outstanding achievement in strategic marketing and marketing management. She is mainly responsible for providing advice to the Board on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and the review of the Group’s performance. Madam Luk holds a Master’s degree in Business Administration from Western Sydney University (formerly known as University of Western Sydney) in Australia. She received several honorary awards, including “Honourary Resident in Foshan (佛山市榮譽市民)”, “Honourary Resident in Nanhai District (南海區榮譽市民)”, “Zhongshan Outstanding Entrepreneurs (中山優秀企業家)”, “China Top 10 Excellent CBO (中國十大卓越CBO)” and “Honourary Resident in Zhongshan (中山市榮譽市民)”. For the public services, Madam Luk is currently the vice chairperson of Guangzhou Real Estate Association (廣州市房地產協會). She was also an honorary chairperson of Guangdong Provincial Qiaoxin Charity Foundation (廣東省僑心慈善基金會). Madam Luk is the spouse of Chen Zhuo Lin, and also the sister-in-law of Chan Cheuk Yin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam. Madam Luk is a director of Top Coast.

Mr. CHAN Cheuk Hung (陳卓雄), aged 64, has been an executive Director since August 2005. He is also a member of the risk management committee of the Board, the Vice President of the Company and a director of certain subsidiaries of the Company. Mr. Chan has over 28 years of extensive experience in real estate development and related business. He is mainly responsible for providing guidance for the overall operation of the Group, and the strategic planning of A-Living Group and A-City Group of the Group. Mr. Chan received several honorary awards, including “Honourary Resident in Foshan (佛山市榮譽市民)” and “Community Construction Outstanding Contribution Award (小區建設突出貢獻獎)” in National Xiaokang Housing Demonstration Community Competition (國家小康住宅示範小區評比) hosted by Ministry of Construction (國家建設部) in 2000. For the public services, he was a standing committee member of Guangdong Province Real Estate Association (廣東省房地產協會) in 2004. Mr. Chan is an executive director and the co-chairman of the board, and a member of the risk management committee of A-Living (stock code: 3319). He was a non-executive director of A-Living from 21 July 2017 to 31 May 2018. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hei and Chan Cheuk Nam and the brother-in-law of Luk Sin Fong, Fion.

Mr. HUANG Fengchao (黃奉潮), aged 58, has been an executive Director since 28 March 2014. He is also the chairperson of the risk management committee of the Board, the Vice President of the Company and a director of certain subsidiaries of the Company. He is mainly responsible for providing foresighted and constructive opinion on the operation management and development strategy of the Group, and also

formulating the overall strategic development of the A-Living Group of the Group and supervising its implementation. Mr. Huang graduated from Guangdong Petroleum School (廣東石油學校) (now known as Guangdong University of Petrochemical Technology) (廣東石油化工學院) majoring in turbine management. Since joining the Group in 1999, Mr. Huang had been the head of real estate management centre of the Group, general manager of Huadu and Nanhu projects and regional head of Hainan and Yunnan region. Prior to joining the Group, he worked for ExxonMobil (China) Co. Ltd. (美國埃索(中國)有限公司) and France TOTAL (China) Ltd. (法國道達爾(中國)有限公司). He is also an executive director, the co-chairman of the board, the chairperson of the risk management committee and the nomination committee, and a member of the remuneration and appraisal committee of A-Living (stock code: 3319).

Mr. CHEN Zhongqi (陳忠其), aged 53, has been an executive Director since 28 March 2014. He is also a member of the risk management committee of the Board, the Vice President of the Company and a director of certain subsidiaries of the Company. Since joining the Group in 1993, Mr. Chen had been a project controller and chief engineer, supervisor of the Project Engineering Department, deputy manager of Project Management Department and the deputy head of Real Estate Management Centre of the Group. He is mainly responsible for providing professional advice on the Group's operation management and development strategy, and the cost control of the Group. Mr. Chen received his professional qualification in Industrial and Civil Construction from Neijiang Normal University (內江師範學院) in 1991. He is qualified as a budgeting engineer and a registered quantity surveyor.

Mr. CHAN Cheuk Hei (陳卓喜), aged 62, has been a non-executive Director since 28 March 2014. He was an executive Director and a Vice President of the Company from August 2005 to 28 March 2014. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan has over 28 years of extensive experience in real estate development and related business. He is mainly responsible for providing advice to the Board on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and the review of the Group's performance. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hung and Chan Cheuk Nam and the brother-in-law of Luk Sin Fong, Fion.

Mr. CHAN Cheuk Nam (陳卓南), aged 58, has been a non-executive Director since 28 March 2014. He was an executive Director and a Vice President of the Company from August 2005 to 28 March 2014. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan has over 28 years of extensive experience in real estate development and management. He is mainly responsible for providing advice to the Board on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and the review of the Group's performance. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hung and Chan Cheuk Hei and the brother-in-law of Luk Sin Fong, Fion.

Dr. CHENG Hon Kwan (鄭漢鈞), *GBS, OBE, JP*, aged 93, has been an independent non-executive Director since 27 October 2005. He is also the chairperson of the remuneration committee and a member of the audit committee and the nomination committee of the Board. Dr. Cheng is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Science in Engineering degree from Tianjin University and a postgraduate diploma from Imperial College London. Dr. Cheng was also awarded several honorary doctorate degrees by The Hong Kong University of Science and Technology, City University of Hong Kong, The Open University of Hong Kong and The Open University, United Kingdom, and is an honorary fellow of Imperial College London and City and Guilds of London Institute. Dr. Cheng is a past president, honorary fellow and gold medallist of The Hong Kong Institution of Engineers; past vice president, fellow and gold medallist of The Institution of Structural Engineers; fellow of The Institution of Civil Engineers, United Kingdom and American Society of Civil Engineers; an honorary fellow of The Institution of Engineers, Australia and Hong Kong Institute of Architects and an honorary member of The Hong Kong Institute of Planners. He obtained PRC Class 1 Registered Structural Engineer qualification and is an Authorised Person and a Registered Structural Engineer under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong). Dr. Cheng is a past chairman of Hong Kong Housing Authority and Transport Advisory Committee, a past member of both Executive Council and Legislative Council and a past member of Standing Committee of the Tianjin Committee of the Chinese People's Political Consultative Conference. Dr. Cheng is currently a permanent honorary chairman of Hong Kong Tianjin Friendship Association and an independent non-executive director of Tianjin Development Holdings Limited (stock code: 882).

Mr. KWONG Che Keung, Gordon (鄺志強), aged 71, has been an independent non-executive Director since 27 October 2005. He is also the chairperson of the audit committee and a member of the remuneration committee and the nomination committee of the Board. Mr. Kwong is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Social Science degree from The University of Hong Kong and is a fellow member of both The Institute of Chartered Accountants in

England and Wales and The Hong Kong Institute of Certified Public Accountants. Mr. Kwong is currently an independent non-executive director of NWS Holdings Limited (stock code: 659), China Power International Development Limited (stock code: 2380), Henderson Land Development Company Limited (stock code: 12), Henderson Investment Limited (stock code: 97), Chow Tai Fook Jewellery Group Limited (stock code: 1929), FSE Services Group Limited (stock code: 331), COSCO SHIPPING International (Hong Kong) Co., Ltd. (stock code: 517), Shanghai Commercial Bank Limited and Piraeus Port Authority S.A. (a company listed in Athens, Greece). He retired as an independent non-executive director of OP Financial Limited (currently known as Wealthking Investments Limited) (stock code: 1140) in August 2019 and Global Digital Creations Holdings Limited (stock code: 8271) in May 2020. Mr. Kwong was a partner of Pricewaterhouse from 1984 to 1998 and a council member of Hong Kong Stock Exchange from 1992 to 1997.

Mr. HUI Chiu Chung, Stephen (許照中), JP, aged 73, has been an independent non-executive Director since 27 June 2014. He is also the chairperson of the nomination committee, a member of the audit committee and the remuneration committee of the Board. Mr. Hui is mainly responsible for providing independent advice to the Board. He has over 40 years of experience in the securities and investment industry. He is a senior fellow member of Hong Kong Securities and Investment Institute and a fellow member of The Hong Kong Institute of Directors. He served as a council member and vice chairman of Hong Kong Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission (“SFC”), a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of Hong Kong Stock Exchange, an appointed member of the Securities and Futures Appeal Tribunal, a member of the Standing Committee on Company Law Reform, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A, a member of the Committee on Real Estate Investment Trusts of the SFC and an appointed member of Zhuhai Municipal Committee of the Chinese People’s Political Consultative Conference. Mr. Hui is a member of Hengqin New Area Development Advisory Committee and a consultant of Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. Mr. Hui is appointed by the Government of Hong Kong as a Justice of the Peace. He is currently a non-executive director of Luk Fook Holdings (International) Limited (stock code: 590) and the chairman and chief executive officer of Luk Fook Financial Services Limited. He also serves as an independent non-executive director of China South City Holdings Limited (stock code: 1668), Gemdale Properties and Investment Corporation Limited (stock code: 535), Lifestyle International Holdings Limited (stock code: 1212), SINOPEC Engineering (Group) Co., Ltd. (stock code: 2386), Zhuhai Holdings Investment Group Limited (stock code: 908) and FSE Services Group Limited (stock code: 331).

Mr. WONG Shiu Hoi, Peter (黃紹開), aged 80, has been an independent non-executive Director since 27 June 2014. He is also a member of the audit committee, the nomination committee, the remuneration committee and the risk management committee of the Board. Mr. Wong is mainly responsible for providing independent advice to the Board. He holds a Master of Business Administration degree from the University of Macau (formerly known as the University of East Asia, Macau). Mr. Wong possesses over 40 years of experience in the financial services industry. For the public services, he was a former chairman of The Hong Kong Institute of Directors, a former member of Standing Committee on Company Law Reform, Listing Committee of Hong Kong Stock Exchange, Financial Services Advisory Committee and Professional Services Advisory Committee of the Hong Kong Trade Development Council and a former director of the Hong Kong Securities and Investment Institute. He is currently a consultant of Halcyon Holdings Limited, and an independent non-executive director of High Fashion International Limited (stock code: 608), Tianjin Development Holdings Limited (stock code: 882), Target Insurance (Holdings) Limited (stock code: 6161) and Tai Hing Group Holdings Limited (stock code: 6811).

SENIOR MANAGEMENT

The business address for all members of our senior management is 33rd Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, Postal Code: 510623, and 18th Floor, Three Pacific Place, 1 Queen’s Road East, Hong Kong.

A description of business experience and present positions of our senior management is provided below.

Mr. PAN Zhiyong (潘智勇), aged 51, is the Vice President of the Company, the chairman of the Capital Group of the Group and the co-chairman of Urban Renewal Group of the Group and performs the duties of the chief financial officer in the Group. Mr. Pan joined the Group in 2017. He is mainly responsible for the management of Financial Centre and Information Centre of the Company, the affairs of Hong Kong Headquarters (Company Secretarial Department and Hong Kong office) and the Capital Group and Urban Renewal Group of the Group. Before joining the Group, Mr. Pan had held different positions in Agricultural Bank of China Limited (“ABC”), Guangdong branch including the general manager of

Marketing Department, Institutional Banking Division and Corporate Banking Department, assistant president and vice president. He had been the president of ABC, Zhaoqing branch. Mr. Pan holds a Bachelor of Economics degree in Finance from Jinan University, a Master of Business Administration degree in Business Administration and a Doctoral of Management Science degree in Management Science and Engineering from South China University of Technology. Mr. Pan also has a senior economist qualification. He was awarded the “Ten Outstanding Young Persons of ABC Guangdong Branch (中國農業銀行廣東省分行十大傑出青年)” in 2009, “Model Worker of Zhaoqing (肇慶市勞動模範)” in 2010, “Senior Financial Management Talent of Guangzhou (廣州市金融高級管理人才)” in 2015, “China’s Top 10 Financial Management Innovation Leaders in 2019 (2019年度中國十大財務管理創新領軍人才)” and “Industrial Development and Innovative Talents of Guangzhou in 2019 (2019年度廣州市產業發展和創新人才)”. He is the executive vice president of China Interchange Association of Top Credit-rating Property Enterprises Association (中國地產資信強企交流會), deputy secretary of Guangdong Venture Capital and Private Equity Association (廣東省創業投資協會), executive director of China Mergers & Acquisitions Association (中國併購公會) and co-president of Zhongguancun Private Equity & Venture Capital Association (中關村股權投資協會).

Mr. WANG Haiyang (王海洋), aged 50, is the Vice President of the Company and the president of the Property Group and co-chairman of Real Estate Construction Management Group of the Group. Mr. Wang joined the Group in July 2011. He is mainly responsible for the management of Property Group and Real Estate Construction Management Group of the Group. He was the general manager of China Machinery TDI International Engineering Co., Ltd., Zhongshan branch (中機十院國際工程有限公司中山分行). Mr. Wang holds a Bachelor’s degree in Construction Engineering from Xi’an University of Technology. He obtained PRC Class 1 Registered Structural Engineer qualification. He was awarded the “The 6th Model of Honesty and Faithfulness of Hainan Province (第六屆海南省誠實守信道德模範)”. He is the vice chairperson of Guangdong Province Real Estate Association (廣東省房地產協會), executive vice chairperson of Guangdong Commercial Real Estate Investment Association (廣東省商業地產投資協會) and member of the 8th council of China Real Estate Association (中國房地產業協會).

Madam YUE Yuan (岳元), aged 45, is the Vice President of the Company and Property Group of the Group and an assistant to Chairman. Madam Yue joined the Group in 2006. She is mainly responsible for the management of Operation Centre and Centralized Procurement Centre of the Company, the affairs of President Office and Operation Centre, Costing & Procurement Centre of the Property Group of the Group. Madam Yue holds a Bachelor of Engineering degree from Lanzhou Jiaotong University (formerly known as Lanzhou Railway University) and a Master of Science degree in Construction Project Management from the University of Hong Kong. She is a PRC registered budgeting engineer and a member of the Royal Institution of Chartered Surveyors. Madam Yue is also a non-executive director of A-Living (stock code: 3319).

Mr. LIU Tongpeng (劉同朋), aged 50, is the Vice President of the Company and the Chairman of the Property Group of the Group, Chairman and President of the Commercial Group of the Group and Co-chairman of Urban Renewal Group of the Group. Mr. Liu joined the Group in November 2018. He is mainly responsible for the management of Investment Centre of the Company, the Property Group, the Business Group and the Urban Renewal Group of the Group. Prior to joining the Group, Mr. Liu held different positions in Industrial and Commercial Bank of China, including vice president and president of Zhongshan Branch and vice president of Guangdong Branch. Mr. Liu holds a Bachelor of Economics degree from Hunan Finance and Economics University. He is a senior economist.

Madam DING Xiaoying (定曉穎), aged 45, is the Vice President of the Company. Madam Ding joined the Group in July 2015. She is mainly responsible for the management of Human Resources and Administration Centre, Legal Centre and Risk Management and Audit Centre of the Company. Madam Ding holds a Bachelor degree in Architectural Engineering and Master of Engineering degree from Wuhan University. She is also qualified as a PRC certified builder, a certified cost engineer and a senior engineer. Madam Ding is an executive director of Guangzhou Institute of Internal Audit (廣州市內部審計協會) and a director of Guangdong Enterprise Institute for Internal Controls (廣東省企業內部控制協會).

Mr. CHEUNG Lap Kei (張立基), aged 49, is the Deputy General Manager (Hong Kong Headquarters) and Company Secretary of the Company. Mr. Cheung joined the Group in September 2019. He is mainly responsible for corporate governance, company secretarial, legal and compliance matters of the Group, and management of the business in Hong Kong region. He has over 27 years of experience in auditing, accounting and financing. Before joining the Group, he has worked for big four accounting firms (Ernst & Young and KPMG, Certified Public Accountants). He has also served as different roles such as executive director, independent non-executive director, chief financial controller and company secretary, etc. in several companies which are listed on the Mainboard of Hong Kong Stock Exchange. Mr. Cheung

graduated from The Australian National University with a Bachelor's degree in Commerce and Deakin University, Australia, with a Master's degree in Business Administration. He is a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia respectively.

COMPENSATION OF DIRECTORS

The aggregate amount of fees, salaries, housing allowances, contributions to pension schemes, other allowances and benefits in kind paid by the Company to our directors during 2018, 2019 and 2020 were approximately RMB24.5 million, RMB26.9 million and RMB27.7 million (US\$4.2 million), respectively.

AUDIT COMMITTEE

We have an audit committee in compliance with the Listing Rules. The major functions of the audit committee are to review our accounting policies, supervise our financial reporting system, monitor the performance of our external auditor and internal audit department, review and evaluate the effectiveness of our financial reporting procedures and internal controls and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by our board of directors. The audit committee consists of four members, all of whom are independent non-executive directors. Mr. Kwong Che Keung, Gordon is the chairperson of the audit committee.

REMUNERATION COMMITTEE

We also have a remuneration committee. The remuneration committee is mainly responsible for making recommendations to the Board on the remuneration packages of individual Directors (including executive Directors and non-executive Directors) and senior management of the Group, formulating the policies and structure for remuneration of Directors and senior management of the Group and establishing a formal and transparent procedure for developing remuneration policy. Remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment. In determining remuneration of Directors and senior management, the Board will consider the remuneration level of comparable companies, the time commitment and responsibilities and employment conditions elsewhere in the Group, individual performance of respective Directors and the Company's performance. The remuneration committee consists of five members, four of whom are independent non-executive directors. Dr. Cheng Hon Kwan is the chairperson of the remuneration committee.

NOMINATION COMMITTEE

We also have a nomination committee. The nomination committee is mainly responsible for establishing a formal and transparent approach for the appointment or re-appointment of directors, providing recommendations to the Board for new appointments or re-election and succession plan of directors, reviewing the structure, number of members and composition of the Board, evaluating the performance of existing directors and their contribution towards the Company, reviewing the board diversity policy, assessing the independence of independent non-executive directors and reviewing the disclosures on director independence and addressing other significant issues concerning the nomination of directors. The nomination committee consists of five members, four of whom are independent non-executive directors. Mr. Hui Chiu Chung, Stephen is the chairperson of the nomination committee.

RISK MANAGEMENT COMMITTEE

We also have a risk management committee. The risk management committee is mainly responsible for considering and formulating risk management framework, reviewing and assessing the effectiveness of the Group's risk management framework, monitoring the implementation of risk control and ensuring it is effectively implemented. The risk management committee consists of four members, one of whom is independent non-executive director. Mr. Huang Fengchao is the chairperson of the risk management committee.

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the "Share Award Scheme") on December 10, 2013 to recognize the contributions by certain employees. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of shares of the Company which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share

capital of the Company from time to time; the Board shall not make any further award of awarded shares which will result in the nominal value of the shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time.

The Company issued and allotted a total of 34,470,000 awarded shares to Bank of Communications Trustee Limited as trustee on February 10, 2014 to hold on trust for such employee(s) selected by the Board (“Selected Employees”) in accordance with the trust deed and rules of the scheme. These awarded shares will be transferred to such Selected Employees upon their satisfaction of relevant vesting conditions specified by the Board at the time of the grant. 32,750,000 out of 34,470,000 awarded shares (“Awarded Shares”) were granted to certain Selected Employees. Following the confirmation that relevant vesting conditions have not been satisfied, all such 32,750,000 Awarded Shares have lapsed.

PRINCIPAL SHAREHOLDERS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) which (i) were notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code to be notified to the Company and Hong Kong Stock Exchange, were as follows:

(1) Long positions in Shares of the Company

Name of Director	Capacity of interests held	Shares held in the Company		Total number of Shares	Approximate percentage to issued share capital
		Number of Shares	Note		
Chen Zhuo Lin	Beneficiary of a trust	2,453,096,250	1	2,597,944,500	66.32
	Beneficial owner	88,274,000			
	Controlled corporation	14,276,250	2		
	Controlled corporation	42,298,000	3		
Chan Cheuk Yin	Beneficiary of a trust	2,453,096,250	1	2,468,783,750	63.03
	Controlled corporation	15,687,500	4		
Luk Sin Fong, Fion	Beneficiary of a trust	2,453,096,250	1	2,597,944,500	66.32
	Controlled corporation	14,276,250	2		
	Spouse	130,572,000	5		
Chan Cheuk Hung	Beneficiary of a trust	2,453,096,250	1	2,453,096,250	62.63
Chan Cheuk Hei	Beneficiary of a trust	2,453,096,250	1	2,460,971,250	62.83
	Beneficial owner	7,875,000	6		
Chan Cheuk Nam	Beneficiary of a trust	2,453,096,250	1	2,459,877,750	62.80
	Beneficial owner	6,781,500	7		
Huang Fengchao	Beneficial owner	1,400,000		1,400,000	0.04

Notes:

- Held by Full Choice as trustee through Top Coast.
- Held by Brilliant Hero Capital Limited (輝雄資本有限公司) and Famous Tone Investments Limited (名通投資有限公司), which are jointly controlled by Chen Zhuo Lin and Luk Sin Fong, Fion.
- Held by Dragon Treasure Global Limited (龍寶環球有限公司), Star Noble Global Limited (星御環球有限公司) and Supreme Elite Holdings Limited (優傑控股有限公司), which are wholly-owned by Chen Zhuo Lin.
- Held by Renowned Idea Investments Limited (明思投資有限公司), which is wholly-owned by Chan Cheuk Yin.
- By virtue of the SFO, Luk Sin Fong, Fion is deemed to be interested in the Shares held by her spouse, Chen Zhuo Lin (1) as beneficial owner, and (2) through Dragon Treasure Global Limited (龍寶環球有限公司), Star Noble Global Limited (星御環球有限公司) and Supreme Elite Holdings Limited (優傑控股有限公司), which are wholly-owned by him.
- Jointly held by Chan Cheuk Hei and his spouse Lu Yanping.
- Jointly held by Chan Cheuk Nam and his spouse Chan Siu Na.

(2) Long positions in the shares of associated corporations of the Company

A. Top Coast

Name of Director	Capacity of interests held	Number of shares	Description of shares	Percentage to issued share capital
Chen Zhuo Lin	Controlled corporation	2 (Note)	Ordinary	100.00
Chan Cheuk Yin	Controlled corporation	2 (Note)	Ordinary	100.00

Note:

By virtue of the SFO, Chen Zhuo Lin and Chan Cheuk Yin are deemed to be interested in 2 ordinary shares, representing 100% of the then issued voting shares, in Top Coast, a company wholly-owned by Full Choice which in turn owned as to 50% by Chen Zhuo Lin and Chan Cheuk Yin respectively.

B. A-Living

Name of Director	Capacity of interests held	Number of shares	Description of shares	Approximate percentage to issued share capital of H shares	Approximate percentage to total issued share capital
Chen Zhuo Lin	Beneficiary of a trust	721,256,750 (Note 1)	H shares	54.09	54.09
Chan Cheuk Yin	Beneficiary of a trust	721,256,750 (Note 1)	H shares	54.09	54.09
Luk Sin Fong, Fion	Beneficiary of a trust	721,256,750 (Note 1)	H shares	54.09	54.09
Chan Cheuk Hung	Beneficiary of a trust	721,256,750 (Note 1)	H shares	54.09	54.09
Chan Cheuk Hei	Beneficiary of a trust	721,256,750 (Note 1)	H shares	54.09	54.09
Chan Cheuk Nam	Beneficiary of a trust	721,256,750 (Note 1)	H shares	54.09	54.09
Huang Fengchao	Controlled corporation	80,000,000 (Note 2)	H shares	6.00	6.00

Notes:

- (1) The Company holds, through its indirect wholly-owned subsidiaries, Zhongshan A-Living Enterprise Management Services Co., Ltd.[^] (中山雅生活企業管理服務有限公司) and Deluxe Star International Limited (旺紀國際有限公司), and another indirect wholly-owned subsidiary, 721,256,750 H shares in A-Living, and Full Choice holds, through Top Coast, 62.63% equity interests of the Company, as trustee of the Chen's Family Trust, beneficiaries of which are Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam. By virtue of the SFO, Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam are deemed to be interested in these 721,256,750 H shares in A-Living.
- (2) Huang Fengchao is a limited partner of Gongqingcheng A-Living Investment Management Limited Partnership[^] (共青城雅生活投資管理合夥企業(有限合夥)) (a holder of 80,000,000 H shares in A-Living), in which 49.9% of interests is owned by him.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

To the best knowledge of the Directors or chief executive of the Company, as at 31 December 2020, the interests or short positions of substantial Shareholders (other than Directors or the chief executive of the Company) in the Shares or underlying Shares which (i) have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Long positions in Shares of the Company

Name of Shareholder	Capacity of interests held	Shares held in the Company			Approximate percentage to issued share capital
		Number of Shares	Note	Total number of Shares	
Full Choice	Trustee	2,453,096,250	1	2,453,096,250	62.63
Top Coast	Beneficial owner	2,453,096,250	1	2,453,096,250	62.63
Zheng Huiqiong	Spouse	2,468,783,750	2	2,468,783,750	63.03
Lu Liqing	Spouse	2,453,096,250	3	2,453,096,250	62.63
Lu Yanping	Beneficial owner	7,875,000	4	2,460,971,250	62.83
	Spouse	2,453,096,250	5		
Chan Siu Na	Beneficial owner	6,781,500	6	2,459,877,750	62.80
	Spouse	2,453,096,250	7		
Chen Sze Long	Beneficial owner	170,046,993		307,432,500	7.85
	Controlled corporation	137,385,507	8		
Wang Huizhao	Spouse	307,432,500	9	307,432,500	7.85

Notes:

- Full Choice holds the Shares as the trustee of the Chen's Family Trust through Top Coast. Beneficiaries of which are Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam.
- By virtue of the SFO, Zheng Huiqiong is deemed to be interested in the Shares held by her spouse, Chan Cheuk Yin.
- By virtue of the SFO, Lu Liqing is deemed to be interested in the Shares held by her spouse, Chan Cheuk Hung.
- Jointly held by Lu Yanping and her spouse, Chan Cheuk Hei.
- By virtue of the SFO, Lu Yanping is deemed to be interested in the Shares held by her spouse, Chan Cheuk Hei.
- Jointly held by Chan Siu Na and her spouse, Chan Cheuk Nam.
- By virtue of the SFO, Chan Siu Na is deemed to be interested in the Shares held by her spouse, Chan Cheuk Nam.
- Held by Cosmic Advance Holdings Limited (宇進控股有限公司) and Union High Investment Group Limited (聯高投資集團有限公司), which are wholly-owned by Chen Sze Long.
- By virtue of the SFO, Wang Huizhao is deemed to be interested in the Shares held by her spouse, Chen Sze Long (1) as beneficial owner, and (2) through Cosmic Advance Holdings Limited (宇進控股有限公司) and Union High Investment Group Limited (聯高投資集團有限公司), which are wholly-owned by him.

RELATED PARTY TRANSACTIONS

The following describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be approved by the Company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
				(unaudited)
	(in thousands)			
Service fee charged by:				
Zhongshan Agile Changjiang Hotel Co., Ltd. ⁽¹⁾ .	<u>3,240</u>	<u>3,594</u>	<u>3,925</u>	<u>602</u>
Golf facilities service fee charged by:				
Zhongshan Changjiang Golf Course ⁽¹⁾	<u>12,919</u>	<u>14,635</u>	<u>14,033</u>	<u>2,151</u>
Providing guarantee for borrowings of related parties	6,668,935	6,927,619	6,220,012	953,259
Interest income from related parties				
— Associates	93,163	106,734	184,322	28,249
— Joint ventures.	<u>282,973</u>	<u>247,885</u>	<u>257,939</u>	<u>39,531</u>
	<u>376,136</u>	<u>354,619</u>	<u>442,261</u>	<u>67,779</u>
Directors’ emoluments.	<u>24,548</u>	<u>26,888</u>	<u>27,650</u>	<u>4,238</u>
Key management compensation				
— Salaries and other short-term employee benefits.	43,127	42,738	41,592	6,374
— Retirement scheme contributions.. . . .	<u>124</u>	<u>167</u>	<u>147</u>	<u>23</u>
	<u>43,251</u>	<u>42,905</u>	<u>41,739</u>	<u>6,397</u>

Note:

- (1) Restaurant and hotel service fees, golf facilities service fee and rental fees were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

The following is a brief description of our major ongoing related party transactions:

Contracting Agreements

Zhongshan Changjiang Golf Course

Zhongshan Changjiang Golf Course from time to time rents to us properties in Zhongshan City, which we have used as staff quarters, office space, and a staff canteen. An independent property valuer has confirmed that the rental fees payable under these leasing arrangements are comparable to the prevailing market rates.

Zhongshan Changjiang Golf Course allows us to use its golf facilities, which we share with our staff and our business associates, including our suppliers, contractors and customers. Zhongshan Changjiang Golf Course is beneficially owned by Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam, each of whom serves as a director.

Restaurant and Hotel Service Fees

Restaurant and hotel service fees and golf facilities service fee were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. Agile Changjiang Hotel is beneficially owned by Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam, each of whom serves a director.

We had the following significant non-trade balances with related parties as of the dates indicated:

	As of December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			(unaudited)
Receivables due from related parties				
— Associates	2,578,743	1,326,119	656,384	100,595
— Joint ventures.	9,676,037	10,341,884	16,185,176	2,480,487
— Other related parties	195,484	193,728	493,892	75,692
	<u>12,450,264</u>	<u>11,861,731</u>	<u>17,335,452</u>	<u>2,656,774</u>
Loan to related parties				
— Associates	2,643,730	178,222	1,359,267	208,317
— Joint ventures.	2,584,511	668,868	1,445,632	221,553
	<u>5,228,241</u>	<u>847,090</u>	<u>2,804,899</u>	<u>429,870</u>
Payables due to related parties				
— Associates	696,674	314,038	1,828,029	280,158
— Joint ventures.	4,789,650	7,778,832	10,984,608	1,683,465
— Other related parties	104,194	100,584	102,179	15,660
	<u>5,590,518</u>	<u>8,193,454</u>	<u>12,914,816</u>	<u>1,979,282</u>

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions and obtained financings through debt offerings. As of December 31, 2020, our total external borrowings amounted to RMB97,812.8 million (US\$14,990.5 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC PROJECT LOANS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including but not limited to Bank of China, The Agricultural Bank of China, China Construction Bank, China Everbright Bank, Industrial and Commercial Bank of China (“ICBC”). These loans typically are project loans to finance the construction of our projects (the “project loans”) and have terms ranging from 12 months to 60 months, which generally correspond to the construction periods of the particular projects. As of December 31, 2020, the aggregate outstanding amount under these project loans totaled approximately RMB23,342 million (US\$3,577 million), RMB3,558 million (US\$545 million) of which was due within one year and RMB19,784 million (US\$3,032 million) of which was due between one and five years. As of December 31, 2020, we do not have project loans due over than five years. Our project loans are typically secured by land use rights and properties as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank’s benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2020, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.67% per annum.

Covenants

Under these project loans, some of our subsidiary borrowers and guarantors have agreed, among other things, give notice before substantial financing and not to take the following actions without first obtaining the lenders’ prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- make debt financing or grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect; and
- distribute dividends before repaying their loans.

Some of our subsidiaries have also obtained project loans from PRC banks such as Bank of China. Under the terms of these project loans, any shareholders’ loans obtained by our subsidiaries are required to be subordinated.

Events of Default

The project loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements, mortgage or pledge contracts, or a combination of them, with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers or have provided security over land use rights, equity or accounts receivables or all of these under these project loans. Further, as of December 31, 2020, RMB21,527 million (US\$3,299 million) of the project loans were secured by land use rights and/or properties of the subsidiary borrowers and/or guaranteed by our other PRC subsidiaries or by the Company.

2018 PERPETUAL SECURITIES

On March 7, 2018 and April 4, 2018, we issued an aggregate principal amount of US\$500.0 million of our 2018 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the 2018 Perpetual Securities remain outstanding.

Distributions

The 2018 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 6.875% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 4.216% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the 2018 Perpetual Securities. We may redeem the 2018 Perpetual Securities, in whole, but not in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The 2018 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after February 28, 2018, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2018 Perpetual Securities must not or must no longer be recorded as our “equity” pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

JUNE 2018 PERPETUAL SECURITIES

On June 26, 2018, we issued an aggregate principal amount of US\$100.0 million of our June 2018 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the June 2018 Perpetual Securities remain outstanding.

Distributions

The June 2018 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 8.550% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 5.873% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the June 2018 Perpetual Securities. We may redeem the June 2018 Perpetual Securities, in whole, but not in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The June 2018 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after June 21, 2018, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2018 Perpetual Securities must not or must no longer be recorded as our “equity” pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

JUNE 2019 PERPETUAL SECURITIES

On June 4, 2019 and June 21, 2019, we issued an aggregate principal amount of US\$700.0 million of our June 2019 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the June 2019 Perpetual Securities remain outstanding.

Distributions

The June 2019 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 8.375% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 6.254% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the June 2019 Perpetual Securities. We may redeem the June 2019 Perpetual Securities, in whole or in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event. The June 2019 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after May 27, 2019, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2019 Perpetual Securities must not or must no longer be recorded as our “equity” pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

OCTOBER 2019 PERPETUAL SECURITIES

On October 31, 2019, we issued an aggregate principal amount of US\$500.0 million of our October 2019 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the October 2019 Perpetual Securities remain outstanding.

Distributions

The October 2019 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 7.875% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 6.294% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the October 2019 Perpetual Securities. We may redeem the October 2019 Perpetual Securities, in whole or in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The October 2019 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after October 24, 2019, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2019 Perpetual Securities must not or must no longer be recorded as our “equity” pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

NOVEMBER 2019 PERPETUAL SECURITIES

On November 25, 2019, we issued an aggregate principal amount of US\$200.0 million of our November 2019 Perpetual Securities. As of the date of this offering memorandum, the entire aggregate principal amount of the November 2019 Perpetual Securities remain outstanding.

Distributions

The November 2019 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 7.75% per annum from and including the issue date to and excluding the first reset date,

- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 6.083% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the November 2019 Perpetual Securities. We may redeem the November 2019 Perpetual Securities, in whole or in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The November 2019 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after May 25, 2025, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the November 2019 Perpetual Securities must not or must no longer be recorded as our “equity” pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

ASSET-BACKED SECURITIES

Certain of our PRC subsidiaries have entered into asset-backed securities arrangement by pledging the receivables for certain properties under their management or creating mortgage over the commercial properties owned by them. For example, on April 10, 2018, one of our PRC subsidiaries established a commercial property asset-backed securities arrangement with an aggregate nominal value of RMB4,600.0 million (US\$651.1 million) by creating mortgage over Shanghai Marriott Hotel City Centre.

2017 NOTES

On August 14, 2017, we entered into an indenture (as amended and supplemented from time to time, the “2017 Notes Indenture”) pursuant to which we issued US\$200,000,000 principal amount of the 5.125% Senior Notes due 2022. As of the date of this offering memorandum, the entire principal amount of the 2017 Notes is outstanding.

Guarantee

The obligations pursuant to the 2017 Notes are guaranteed by our existing subsidiaries (the “2017 Notes Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2017 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2017 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2017 Notes Indenture. Each of the 2017 Notes Subsidiary Issuers, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2017 Notes.

Collateral

In order to secure the obligations under the 2017 Notes, the Company and the 2017 Notes Subsidiary Guarantors under the 2017 Notes Indenture pledged the capital stock of all such 2017 Notes Subsidiary Guarantors for the benefit of the holders of the 2017 Notes (the “2017 Notes Collateral”). The 2017 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2017 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2017 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2017 Notes Indenture.

Interest

The 2017 Notes bear an interest rate of 5.125% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2017 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2017 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2017 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2017 Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2017 Notes Indenture or the holders of at least 25% of the outstanding 2017 Notes may declare the principal of the 2017 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2017 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2017 Notes is August 14, 2022.

At any time and from time to time on or after August 14, 2020, we may redeem the 2017 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during the twelve month period beginning on August 14 of each of the years indicate below:

<u>Period</u>	<u>Redemption Price</u>
2020	102.56250%
2021 and thereafter	101.28125%

At any time prior to August 14, 2020, we may redeem the 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to August 14, 2020, we may redeem up to 35% of the aggregate principal amount of the 2017 Notes at a redemption price equal to 105.125% of the principal amount of the 2017 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2017 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2017 Notes at a redemption price equal to 100% of the principal amount of the 2017 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On August 14, 2017, the trustee for the 2017 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted *pari passu* secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

JULY 2018 NOTES

On July 18, 2018 and July 26, 2018, we entered into an indenture (as amended and supplemented from time to time, the "July 2018 Notes Indenture") pursuant to which we issued an aggregate principal amount of US\$600,000,000 of the 8.5% Senior Notes due 2021. As of the date of this offering memorandum, the entire principal amount of the July 2018 Notes is outstanding.

Guarantee

The obligations pursuant to the July 2018 Notes are guaranteed by our existing subsidiaries (the "July 2018 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2018 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a July 2018 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2018 Notes Indenture. Each of the July 2018 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the July 2018 Notes.

Collateral

In order to secure the obligations under the July 2018 Notes, the Company and the July 2018 Notes Subsidiary Guarantors under the July 2018 Notes Indenture pledged the capital stock of all such July 2018 Notes Subsidiary Guarantors for the benefit of the holders of the July 2018 Notes (the "July 2018 Notes Collateral"). The July 2018 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the July 2018 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the July 2018 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the July 2018 Notes Indenture.

Interest

The July 2018 Notes bear an interest rate of 8.5% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2018 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2018 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2018 Notes Indenture. If an event of default occurs and is continuing, the trustee under the July 2018 Notes Indenture or the holders of at least 25% of the outstanding July 2018 Notes may declare the principal of the July 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2018 Notes is July 18, 2021.

At any time and from time to time on or after July 18, 2020, we may redeem the July 2018 Notes, in whole or in part, at a redemption price of 104.25% plus accrued and unpaid interest to the redemption date.

At any time prior to July 18, 2020, we may redeem the July 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2018 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to July 18, 2020, we may redeem up to 35% of the aggregate principal amount of the July 2018 Notes at a redemption price equal to 108.5% of the principal amount of the July 2018 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the July 2018 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the July 2018 Notes at a redemption price equal to 100% of the principal amount of the July 2018 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On July 18, 2018, the trustee for the July 2018 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted *pari passu* secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

MARCH 2019 NOTES

On March 7, 2019, we entered into an indenture (as amended and supplemented from time to time, the “March 2019 Notes Indenture”) pursuant to which we issued an aggregate principal amount of US\$500,000,000 of the 6.7% Senior Notes due 2022. As of the date of this offering memorandum, the entire principal amount of the March 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the March 2019 Notes are guaranteed by our existing subsidiaries (the “March 2019 Notes Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the March 2019 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a March 2019 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the March 2019 Notes Indenture. Each of the March 2019 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the March 2019 Notes.

Collateral

In order to secure the obligations under the March 2019 Notes, the Company and the March 2019 Notes Subsidiary Guarantors under the March 2019 Notes Indenture pledged the capital stock of all such March 2019 Notes Subsidiary Guarantors for the benefit of the holders of the March 2019 Notes (the “March 2019 Notes Collateral”). The March 2019 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the March 2019 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the March 2019 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the March 2019 Notes Indenture.

Interest

The March 2019 Notes bear an interest rate of 6.7% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the March 2019 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;

- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The March 2019 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the March 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the March 2019 Notes Indenture. If an event of default occurs and is continuing, the trustee under the March 2019 Notes Indenture or the holders of at least 25% of the outstanding March 2019 Notes may declare the principal of the March 2019 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding March 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the March 2019 Notes is March 7, 2022.

At any time and from time to time on or after March 7, 2021, we may redeem the March 2019 Notes, in whole or in part, at a redemption price equal to 103.35% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to March 7, 2021, we may redeem the March 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the March 2019 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to March 7, 2021, we may redeem up to 35% of the aggregate principal amount of the March 2019 Notes at a redemption price equal to 106.7% of the principal amount of the March 2019 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the March 2019 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem March 2019 Notes at a redemption price equal to 100% of the principal amount of the March 2019 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On March 7, 2018, the trustee for the March 2019 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted *pari passu* secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

JULY 2020 NOTES

On July 2, 2020, we entered into an indenture (as amended and supplemented from time to time, the "July 2020 Notes Indenture") pursuant to which we issued an aggregate principal amount of US\$500,000,000 of the 5.75% Senior Notes due 2025. As of the date of this offering memorandum, the entire principal amount of the July 2020 Notes is outstanding.

Guarantee

The obligations pursuant to the July 2020 Notes are guaranteed by our existing subsidiaries (the “July 2020 Notes Subsidiary Guarantors”) other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2020 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a July 2020 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2020 Notes Indenture. Each of the July 2020 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the July 2020 Notes.

Collateral

In order to secure the obligations under the July 2020 Notes, the Company and the July 2020 Notes Subsidiary Guarantors under the July 2020 Notes Indenture pledged the capital stock of all such July 2020 Notes Subsidiary Guarantors for the benefit of the holders of the July 2020 Notes (the “July 2020 Notes Collateral”). The July 2020 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the July 2020 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the July 2020 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the July 2020 Notes Indenture.

Interest

The July 2020 Notes bear an interest rate of 5.75% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2020 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2020 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2020 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the July 2020 Notes Indenture. If an event of default occurs and is

continuing, the trustee under the July 2020 Notes Indenture or the holders of at least 25% of the outstanding July 2020 Notes may declare the principal of the July 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding July 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2020 Notes is January 2, 2025.

At any time and from time to time on or after January 2, 2023, we may redeem the July 2020 Notes, in whole or in part, at a redemption price set forth in the terms and conditions of July 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to January 2, 2023, we may redeem the July 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2020 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to January 2, 2023, we may redeem up to 35% of the aggregate principal amount of the July 2020 Notes at a redemption price equal to 105.75% of the principal amount of the July 2020 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the July 2020 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem July 2020 Notes at a redemption price equal to 100% of the principal amount of the July 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On July 2, 2020, the trustee for the July 2020 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

OCTOBER 2020 NOTES

On October 13, 2020, we entered into an indenture (as amended and supplemented from time to time, the "October 2020 Notes Indenture") pursuant to which we issued an aggregate principal amount of US\$300,000,000 of the 5.75% Senior Notes due 2025 on October 13, 2020 and issued an aggregate principal amount of US\$183,000,000 of the 5.75% Senior Notes due 2025 on November 13, 2020. As of the date of this offering memorandum, the entire principal amount of the October 2020 Notes remains outstanding.

Guarantee

The obligations pursuant to the October 2020 Notes are guaranteed by our existing subsidiaries (the "October 2020 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the October 2020 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a October 2020 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the October 2020 Notes Indenture. Each of the October 2020 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the October 2020 Notes.

Collateral

In order to secure the obligations under the October 2020 Notes, the Company and the October 2020 Notes Subsidiary Guarantors under the October 2020 Notes Indenture pledged the capital stock of all such October 2020 Notes Subsidiary Guarantors for the benefit of the holders of the October 2020 Notes (the “October 2020 Notes Collateral”). The October 2020 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the October 2020 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the October 2020 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the October 2020 Notes Indenture.

Interest

The October 2020 Notes bear an interest rate of 6.05% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the October 2020 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The October 2020 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the October 2020 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the October 2020 Notes Indenture. If an event of default occurs and is continuing, the trustee under the October 2020 Notes Indenture or the holders of at least 25% of the outstanding October 2020 Notes may declare the principal of the October 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding October 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the October 2020 Notes is October 13, 2025.

At any time and from time to time on or after October 13, 2023, we may redeem the October 2020 Notes, in whole or in part, at a redemption price set forth in the terms and conditions of October 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to October 13, 2023, we may redeem the October 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the October 2020 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to October 13, 2023, we may redeem up to 35% of the aggregate principal amount of the October 2020 Notes at a redemption price equal to 106.05% of the principal amount of the October 2020 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the October 2020 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem October 2020 Notes at a redemption price equal to 100% of the principal amount of the October 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On October 13, 2020, the trustee for the October 2020 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

DOMESTIC CORPORATE BONDS

On January 11, 2016, through a subsidiary, we issued 4.7% corporate bonds with an aggregate amount of RMB1,600.0 million (US\$233.1 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584.1 million (US\$230.8 million). We shall be entitled to adjust the coupon rate at the end of third year whereas the investors shall be entitled to sell back in whole or in part the bonds. On January 14, 2019, we redeemed the bond in an aggregate principal amount of RMB12,228,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on January 11, 2021 at the coupon rate of 6.95%.

On October 11, 2016, we issued 4.6% corporate bonds with an aggregate amount of RMB1,800 million (US\$254.8 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787.3 million (US\$253.0 million). On October 11, 2019, we redeemed the bond in an aggregate principal amount of RMB570.0 million (US\$80.7 million) as the investors exercised the right to sell back. The bonds have been resold to the new investors, and the bonds will mature on October 11, 2021 at the coupon rate of 6.90%.

On October 11, 2016, we issued 5.7% corporate bonds with an aggregate amount of RMB1,200 million (US\$169.8 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,192.5 million (US\$168.8 million). The bonds will mature on October 11, 2023. We shall be entitled to adjust the coupon rate at the end of the fifth year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On July 10, 2020, Guangzhou Panyu Agile Realty Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司), an indirect wholly-owned subsidiary of the Company, issued 6.2% corporate bonds for a term of 2 years with an aggregate amount of RMB1,500 million (US\$212.3 million). The bonds will mature on July 13, 2022. The net proceeds, after deducting issuance costs, amounted to RMB1,495.5 million (US\$211.7 million).

On October 19, 2020, Guangzhou Panyu Agile Realty Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司), an indirect wholly-owned subsidiary of the Company established in the People's Republic of China, issued non-public domestic corporate bonds in the amount of RMB1.5 billion at a coupon rate of 6.2% per annum for a term of 2 years to qualified institutional investors in the People's Republic of China. The bonds are listed on the Shanghai Stock Exchange.

OFFSHORE FACILITY AGREEMENTS

We have entered into facility agreements with offshore banks and financial institutions, including, without limitation, The Hongkong and Shanghai Banking Corporation Limited, Chong Hing Bank Limited, The Bank of East Asia, Limited, Dah Sing Bank, Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited, China Construction Bank Corporation, Hong Kong Branch, Wing Lung Bank and China Merchants Bank Co., Ltd., Hong Kong Branch. As of December 31, 2020, the aggregate outstanding principal amount under these offshore facilities is approximately US\$3,749.6 million. We have, since December 31, 2020, in the ordinary course of business, entered into additional offshore facilities.

Our offshore facilities typically have terms ranging from one year to four years.

Guarantee and Security

The obligations pursuant to the 2017 HSBC Loan, the 2017 ICBC Loan, the 2017 CCB Loan, the 2018 Syndicated Loan, the 2018 HSBC Loan, the 2019 Syndicated Loan and the 2020 Syndicated Loan and other additional offshore facilities are guaranteed by certain subsidiary guarantors (the "Loan Subsidiary Guarantors"). Each of the Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2017 HSBC Loan, the 2017 ICBC Loan, the 2017 CCB Loan, the 2018 Syndicated Loan, the 2018 HSBC Loan, the 2019 Syndicated Loan and the 2020 Syndicated Loan and other additional offshore facilities. The Additional 2017 Facilities and the 2018 Syndicated Loan, the 2018 HSBC Loan, the 2019 Syndicated Loan and the 2020 Syndicated Loan and the subsidiary guarantees provided by the Loan Subsidiary Guarantors are secured by the Collateral.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate.

Covenants

Our offshore loans contains customary covenants and restrictions, including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

Events of Default

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

CUSTOMER GUARANTEES

In line with industry practice, we provide guarantees to financial institutions in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations are released upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one to two years after we deliver the relevant property to our customers; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers of our properties. See "Business — Payment Arrangements." As of December 31, 2020, the aggregate outstanding amount guaranteed was RMB51,377.8 million (US\$7,874.0 million).

ASIAN GAMES CITY GUARANTEES

We, as one of the four shareholders of Guangzhou Li He Property Development Company Limited, the joint venture developing the Guangzhou Asian Games City Project, have provided guarantees for certain borrowings of Li He. As of December 31, 2020, our guarantees provided for the Guangzhou Asian Games City Project for its borrowings amounted to RMB410.4 million (US\$62.9 million).

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Agile Group Holdings Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of May 17, 2021, among the Company, the Subsidiary Guarantors, as guarantors and The Hongkong and Shanghai Banking Corporation Limited, as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement (as defined below) and the Sub-Collateral Agent Appointment Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date during normal business hours, with prior written notice at the corporate trust office of the Trustee at The Hongkong and Shanghai Banking Corporation Limited, Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong.

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least pari passu in right of payment against the Company with respect to the Existing Pari Passu Secured Indebtedness and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantor (if any) on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;
- effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below), which will not provide a Guarantee for the Notes.

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “— Security” and will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens) shared on a pari passu basis pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement with the holders of the Existing Pari Passu Secured Indebtedness (except to the extent of any costs and expenses incurred by the Sub-Collateral Agent (as defined below) in connection with the collection or distribution of the proceeds of the Collateral as described below under the caption “— Security”) and any other creditors with respect to future Permitted Pari Passu Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Company will initially issue US\$300,000,000 in aggregate principal amount of the Notes, which will mature on May 17, 2026, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 5.5% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears in equal installments on May 17 and November 17 of each year (each an “Interest Payment Date”), commencing November 17, 2021. Interest on the Notes will be paid to Holders of record at the close of business on May 2 and November 2, immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register (as defined below) 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 December 25 and January 1.

Except as described under “Optional Redemption”, “Redemption for Taxation Reasons” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of The Hongkong and Shanghai Banking Corporation Limited, as the paying agent, registrar and transfer agent (the “Paying and Transfer Agent”), then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose in Hong Kong (which initially will be the corporate trust administration office of the Paying and Transfer Agent, currently located at The Hongkong and Shanghai Banking Corporation Limited, Level 24, HSBC Main Building, 1 Queen’s Road Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be All Jolly Investments Limited (普嘉投資有限公司), Best Forward Investments Limited (佳躍投資有限公司), Champoint Holdings Limited (冠邦控股有限公司), Charming Way Investments Limited (悅威投資有限公司), Chieffield Global Limited (捷輝環球有限公司), Clear Fortune Investments Limited (晴福投資有限公司), Dual Win Development Ltd (多勝發展有限公司), East Kent International (BVI) Limited (東建國際(BVI)有限公司), Eastern Supreme Group Holdings Limited (東萃集團控股有限公司), Eternal Sun International (BVI) Limited (恒日國際(BVI)有限公司), Ever Access Limited (恒通有限公司), Excel Epoch Limited (卓代有限公司), Forever Fame Property Development Holdings Limited (譽永房地產發展控股有限公司), Fortune Century International (BVI) Limited (富陞國際(BVI)有限公司), Giant Delight Limited (宏悅有限公司), Hefty Wealth Holdings Limited (鉅富控股有限公司), Infoglory (BVI) Limited (訊耀(BVI)有限公司), Intersino Holdings (BVI) Limited (聯華控股(BVI)有限公司), Jolly China International Limited (華嘉國際有限公司), Jolly Day Investments Limited (朝嘉投資有限公司), Joy New Property Limited (悅新地產有限公司), Linkan Enterprises Ltd (麗嘉企業有限公司), Magic Resources (BVI) Limited (美城物業(BVI)有限公司), Massive King Development Limited (浩京發展有限公司), Maximum Rise Investments (BVI) Limited (盛興投資(BVI)有限公司), Maxsino (Panyu) Investments Limited (陞美(番禺)投資有限公司), Mega Build Investments (BVI) Limited (鴻建投資(BVI)有限公司), Mexon Holdings (BVI) Limited (明誠控股(BVI)有限公司), Narita Global Limited (成田環球有限公司), On Glory (BVI) Limited (光盛(BVI)有限公司), Pomaine International (BVI) Limited (寶明國際(BVI)有限公司), Proactive Asia Investments (BVI) Limited (寶亞投資(BVI)有限公司), Profitica Group (BVI) Limited (盈嘉集團(BVI)有限公司), Prospero International Group Limited (富道國際集團有限公司), Real Genius International Limited (賢域國際有限公司), Rich Pacific International (BVI) Limited (豐平國際(BVI)有限公司), Richy Bright Investments (BVI) Limited (富輝投資(BVI)有限公司), Rise Achieve Limited (騰達有限公司), Rise Max Property Limited (晉溢地產有限公司), Rising Wood International Limited (昇林國際有限公司), Rovex Holdings Limited (朗榮控股有限公司), Shining Talent Limited (耀能有限公司), Sino Casa International Limited (莎華國際有限公司), Speed Ample (BVI) Limited (迅盈(BVI)有限公司), Success Port Global Limited (盛港環球有限公司), Supremacy Development (BVI) Limited (卓傑發展(BVI)有限公司), Transfortune Development (BVI) Limited (財運發展(BVI)有限公司), Wise Idea (BVI) Limited (穎思(BVI)有限公司), Along Goal Limited (奕晉有限公司), Ample Grace Investments Limited (崇升投資有限公司), Asia Bingo Investments Limited (億尊投資有限公司), Blue Heaven Group Limited (統合集團有限公司), Charter Prime Limited (瑞領有限公司), Cherry Land International Limited (利泉國際有限公司), Conquer Power Investments Limited (勤柏投資有限公司), Courage Shield Limited (卓拔有限公司), Ever York International Limited (旭恒國際有限公司), Funetic Group Limited (利浚集團有限公司), Gesture Investments Limited (舒麗投資有限公司), Giant Sea Holdings Limited (添洋控股有限公司), Giant Stone Holdings Limited (忠傑控股有限公司), Gold Volcano Group Limited (威泉集團有限公司), Golden Grain Investments Limited (連億投資有限公司), Grace Home Group Limited (勇富集團有限公司), Grantee Investments Limited (江景投資有限公司), Hildy Group Limited (鉅祥集團有限公司), Hitime International Limited (愷天國際有限公司), Huge Asset International Limited (永羣國際有限公司), Image Lead Limited (佰臨有限公司), Key Route Investments Limited (吉航投資有限公司), Level Jump Holdings Limited (保智控股有限公司), Lucky Line Group Limited (永鉅集團有限公司), Ma Lee International Holdings Limited (馬里國際集團有限公司), Marco Rich International Limited (百譽國際有限公司), Minute Speed Limited (廸揚有限公司), Pack Star Investments Limited (軒升投資有限公司), Season Globe Investments Limited (雄濤投資有限公司), Sheeny Joy Investments Limited (標泰投資有限公司), Skyvast International Limited (佳翔國際有限公司), Stand Power Investments Limited (衛中投資有限公司), Supreme Host Investments Limited (超鴻投資有限公司), Surplus Gain Investments Limited (泛晉投資有限公司), Time Add Limited (京旭有限公司), Trigrow Limited (佰進有限公司), Triumph Hero Investments Limited (俊越投資有限公司), Vibrate Light Limited (展秀有限公司), Well Lane Investments Limited (利頤投資有限公司) and Wide Sun Group Limited (千澤集團有限公司).

Certain of the Subsidiary Guarantors are holding companies that do not have significant operations. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date.

As used herein, "Non-Guarantor Restricted Subsidiaries" refers to the Restricted Subsidiaries that are neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor (as defined below), including as of the Original Issue Date, the PRC Non-Guarantor Subsidiaries and the Company's other Restricted Subsidiaries organized outside of the PRC (other than the Subsidiary Guarantors). The Non-Guarantor Restricted Subsidiaries together with the Unrestricted Subsidiaries are referred to herein as the "Non-Guarantor Subsidiaries."

None of the existing PRC Non-Guarantor Subsidiaries will at any time in the future provide a Subsidiary Guarantee or JV Subsidiary Guarantee. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC, any Exempted Subsidiaries or Listed Subsidiaries (each as defined below) will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC and other Non-Guarantor Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

In the case of a Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and that is not an Exempted Subsidiary or a Listed Subsidiary and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such establishment, sale, issuance or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC and that are not Exempted Subsidiaries or Listed Subsidiaries, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and Listed Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of December 31, 2020, the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total consolidated borrowings of approximately RMB97,812.8 million (US\$14,990.5 million), of which approximately RMB76,143.5 million (US\$11,669.5 million) was secured (including senior notes).

As of December 31, 2020, the Non-Guarantor Subsidiaries had total outstanding indebtedness, including both current and non-current borrowings, of approximately RMB58,002.0 million (US\$8,889.2 million) and the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB91,662.2 million (US\$14,047.8 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least pari passu in right of payment with the guarantees provided for the Existing Pari Passu Secured Indebtedness and all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:
 - will be a general obligation of such JV Subsidiary Guarantor;
 - will be enforceable only up to the JV Entitlement Amount;
 - will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
 - will be limited to the JV Entitlement Amount and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
 - will be limited to the JV Entitlement Amount and will rank at least pari passu with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law), and will be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, the Exempted Subsidiaries, the Listed Subsidiaries and members of the Crown Golden Group) to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, as soon as practicable and in any event within 30 days after such Person becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary or a Listed Subsidiary, ceases to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, as the case may be, provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor do not account for more than 30% of the Total Assets of the Company.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may

concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become “New Non-Guarantor Restricted Subsidiaries” (such that each New Non-Guarantor Restricted Subsidiary will no longer Guarantee the Notes) and (b) instruct the Sub-Collateral Agent (as defined below) to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Restricted Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Restricted Subsidiary, (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 30% of the Total Assets of the Company. For purposes of the calculations in this paragraph and the foregoing paragraph, the Consolidated Assets of the Crown Golden Group shall be excluded. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than through a JV Subsidiary Guarantee is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

Hainan Clearwater Bay Holdings Limited, Pride Height Investments Limited, Smooth State Development Limited, On Sky Group Limited and Giant Top Group Limited will not provide Subsidiary Guarantees and holders of the Notes will not have any direct recourse against them.

In addition, subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a security interest in the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “— Security” shared on a pari passu basis pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement with the holders of the Existing Pari Passu Secured Indebtedness (except to the extent of any costs and expenses incurred by the Sub-Collateral Agent in connection with the collection or distribution of the proceeds of the Collateral as described below under the caption “— Security”) and any other holders of the future Permitted Pari Passu Secured Indebtedness; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured (no JV Subsidiary Guarantor is required to pledge the shares of any Restricted Subsidiary that it holds).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium (if any) on, and interest on, and all other amounts payable under, the Notes; provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its respective JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or the JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or the JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor that becomes a New Non-Guarantor Restricted Subsidiary or an Unrestricted Subsidiary (including the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary), in compliance with the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor which remains a Restricted Subsidiary may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock as determined by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such Restricted Subsidiary by which it becomes a JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries and Listed Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and the shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers’ Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

- (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale or disposition results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the “Limitation on Asset Sales” and “Limitation on Restricted Payments” covenants.

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the “Limitation on Asset Sales” covenant to the extent required.

As of the date of the Indenture, all of the Company’s Subsidiaries other than those listed in the definition of “Unrestricted Subsidiaries” below will be “Restricted Subsidiaries.” However, under the circumstances described below under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee, as the case may be, shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer’s Certificate stating that all requirements relating to such release under the Indenture have been complied with and that such release is authorized and permitted by the Indenture.

SECURITY

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of the initial Subsidiary Guarantors held directly by the Company or the Subsidiary Guarantor Pledgors (the “Collateral”) (subject to Permitted Liens and pari passu sharing described below) on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The initial Subsidiary Guarantor Pledgors are All Jolly Investments Limited (普熹投資有限公司), Best Forward Investments Limited (佳躍投資有限公司), Champoint Holdings Limited (冠邦控股有限公司), Charming Way Investments Limited (悅威投資有限公司), Chieffield Global Limited (捷輝環球有限公司), Clear Fortune Investments Limited (晴福投資有限公司), East Kent International (BVI) Limited (東建國際(BVI)有限公司), Eastern Supreme Group Holdings Limited (東萃集團控股有限公司), Eternal Sun International (BVI) Limited (恒日國際(BVI)有限公司), Ever Access Limited (恆通有限公司), Excel Epoch Limited (卓代有限公司), Forever Fame Property Development Holdings Limited (譽永房地產發展控股有限公司), Fortune Century International (BVI) Limited (富陞國際(BVI)有限公司), Giant Delight Limited (宏悅有限公司), Hefty Wealth Holdings Limited (鉅富控股有限公司), Infoglory (BVI) Limited (訊耀(BVI)有限公司), Intersino Holdings (BVI) Limited (聯華控股(BVI)有限公司), Jolly China International Limited (華熹國際有限公司), Jolly Day Investments Limited (朝熹投資有限公司), Joy New Property Limited (悅新地產有限公司), Linkan Enterprises Ltd (麗嘉企業有限公司), Magic Resources (BVI) Limited (美城物業(BVI)有限公司), Massive King Development Limited (浩京發展有限公司), Maximum Rise Investments (BVI) Limited (盛興投資(BVI)有限公司), Maxsino (Panyu) Investments Limited (陞美(番禺)投資有限公司), Mega Build Investments (BVI) Limited (鴻建投資(BVI)有限公司), Mexon Holdings (BVI) Limited (明誠控股(BVI)有限公司), On Glory (BVI) Limited (光盛(BVI)有限公司), Pomaine International (BVI) Limited (寶明國際(BVI)有限公司), Proactive Asia Investments (BVI) Limited (寶亞投資(BVI)有限公司), Profitica Group (BVI) Limited (盈嘉集團(BVI)有限公司), Prospero International Group Limited (富道國際集團有限公司), Real Genius International Limited (賢域國際有限公司), Rich Pacific International (BVI) Limited (豐平國際(BVI)有限公司), Richy Bright Investments (BVI) Limited (富輝投資(BVI)有限公司), Rise Max Property Limited (晉溢地產有限公司), Rising Wood International Limited (昇林國際有限公司), Rovex Holdings Limited (朗榮控股有限公司), Shining Talent Limited (耀能有限公司), Sino Casa International Limited (莎華國際有限

公司), Speed Ample (BVI) Limited (迅盈(BVI)有限公司), Success Port Global Limited (盛港環球有限公司), Supremacy Development (BVI) Limited (卓傑發展(BVI)有限公司), Transfortune Development (BVI) Limited (財運發展(BVI)有限公司) and Wise Idea (BVI) Limited (穎思(BVI)有限公司).

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned directly by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any is established) to pledge, the Capital Stock directly owned by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date, as soon as practicable and in any event within 30 days after such Person becomes a Subsidiary Guarantor or JV Subsidiary Guarantor, to secure (subject to Permitted Liens) the obligations of the Company under the Notes and the Indenture, and of the Subsidiary Guarantor Pledgor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The Collateral will be shared on a pari passu basis pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement by the holders of the Notes and the holders of other secured indebtedness including the holders of the Existing Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. See “— Release of Security,” “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantee and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the “Notes” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Intercreditor Agreement, may impact our ability and the ability of the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and may limit the rights of holders of the Notes to the Collateral.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Security Documents, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents, the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral pari passu with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any Pari Passu Subsidiary Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Subsidiary Guarantee, “Permitted Pari Passu Secured Indebtedness”); provided that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; (2) the holders (or their representative agent or trustee) of such Indebtedness (other than Additional Notes) become party to the Sub-Collateral Appointment Agreement referred to below; and (3) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

(i) The Company, (ii) the Subsidiary Guarantor Pledgors, (iii) The Hongkong and Shanghai Banking Corporation Limited, as collateral agent (the “Collateral Agent”) and (iv) the trustees and agents on behalf of holders of the Existing Pari Passu Secured Indebtedness, have entered into and are currently parties to an intercreditor agreement (as supplemented or amended from time to time, the “Intercreditor Agreement”), to which The Hongkong and Shanghai Banking Corporation Limited, as the Trustee and sub-collateral agent will accede. On the original issue date, (i) the Company, (ii) the Subsidiary Guarantor Pledgors, (iii) the trustee and (iv) the Sub-Collateral Agent shall enter into a sub-collateral agent appointment agreement (the “Sub-Collateral Agent Appointment Agreement”). The combined effect of the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement is that, the parties to both agreements will agree to (1) share the Collateral on an equal and ratable basis, the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced.

Prior to the first Incurrence of any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement to include the holders of such Permitted Pari Passu Secured Indebtedness as parties to the Sub-Collateral Agent Appointment Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement any supplements, amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The liens securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, will be granted to the Sub-Collateral Agent for its benefit and the benefit of the Trustee, subject to Permitted Liens and *pari passu* sharing. The Sub-Collateral Agent, hold such liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders (subject to the Sub-Collateral Agent being indemnified and/or secured and/or pre-funded to its satisfaction) to exercise remedies under the Security Documents. The Sub-Collateral Agent has agreed to act as secured party on behalf of the Trustee and the Holders under the applicable Security Documents, to (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) follow the instructions provided to it by the Trustee and to carry out certain other duties.

The Indenture, the Sub-Collateral Agent Appointment Agreement and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Sub-Collateral Agent, subject to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement, has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

All payments received and all amounts held in respect of the Collateral under the Security Documents will be applied as follows pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement:

first, to the payment of any taxes, filing fees and registration fees and any other expenses owed to any governmental entity and incurred in connection with the sale or other realization (if any) upon all or any part of the Collateral;

second, to, pro rata, (a) the payment of, any expenses properly incurred by the Collateral Agent in connection with such sale or other realization; any amounts owed to the Collateral Agent under the Intercreditor Agreement or any related security documents; and any other amounts payable to the Collateral Agent in connection with the performance of its functions, including, without limitation, compensation to its agents and counsel, in each case whether actually paid or accrued; and (b) the agents or trustees of the holders of Permitted *Pari Passu* Secured Indebtedness who are or become parties to the Intercreditor Agreement to the extent necessary to reimburse such agent or trustee for any expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the security documents covered by the Intercreditor Agreement and preserving the Collateral and all amounts for which such agent or trustee is entitled to indemnification under the security documents covered by the Intercreditor Agreement;

third, to payment of any unreimbursed expenses for any Secured Party (as defined in the Intercreditor Agreement) that is to be reimbursed pursuant to the Secured Party Documents (as defined in the Intercreditor Agreement) other than those paid under the second clause above;

fourth, to, pro rata, (x) the Sub-Collateral Agent for the benefit of the Trustee (for the benefit of the Holders) and to the extent applicable, the holders of Permitted *Pari Passu* Secured Indebtedness (or their representative) that are party to the Sub-Collateral Agent Appointment Agreement; *provided* that, the payment of any costs and expenses incurred by the Sub-Collateral Agent in connection with the collection or distribution of such proceeds not otherwise covered under the second and third clauses above shall be paid first under this sub-paragraph (x) and (y) the relevant trustee or agent for the benefit of the holders of the Existing *Pari Passu* Secured Indebtedness; and

fifth, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Sub-Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security and/or pre-funding to its satisfaction. In addition, the Sub-Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Sub-Collateral Agent's Liens on the Collateral. Neither the Trustee, the Collateral Agent nor the Sub-Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or

liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, validity, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, for the preservation of rights against any Person with respect to any Collateral, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Sub-Collateral Agent for all liabilities, losses, damages, penalties, actions, proceedings, claims, costs, expenses or disbursements of any kind imposed against the Sub-Collateral Agent arising out of the Security Documents.

This section, “— Enforcement of Security,” shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with “— Permitted Pari Passu Secured Indebtedness” above.

Release of Security

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in relation to the Notes and the Subsidiary Guarantees, in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption “— Defeasance — Defeasance and Discharge;”
- upon dispositions of any of the Collateral in compliance with the covenants under the captions “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries” or “— Limitation on Asset Sales” or in accordance with the provision under the caption “— Consolidation, Merger and Sale of Assets;”
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Restricted Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Non-Guarantor Restricted Subsidiary;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture; and
- with respect to a Lien over the Collateral (or any portion thereof) pledged to secure the Notes, either upon (i) the repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness or (ii) the prior or concurrent release of the Lien on the Collateral securing all Existing Pari Passu Secured Indebtedness and all Permitted Pari Passu Secured Indebtedness (if any); **provided that** in each case, no Default has occurred and is continuing on such date and no Default would have occurred as a result of such release, and each of the Trustee, the Sub-Collateral Agent and the Collateral Agent shall comply with a release request if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers’ Certificate from the

Company (on which the Trustee, the Sub-Collateral Agent and the Collateral Agent may rely without liability or responsibility to any person), and the Trustee, the Sub-Collateral Agent and the Collateral Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture and the Security Documents, as applicable.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below. The Hongkong and Shanghai Banking Corporation Limited, may serve as trustee with respect to any Additional Notes.

OPTIONAL REDEMPTION

At any time and from time to time on or after May 17, 2024, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date, if redeemed during the 12-month period beginning on May 17 of each of the years as indicated below:

Period	Redemption Price
2024	102.75%
2025	101%

At any time prior to May 17, 2024, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption.

At any time and from time to time prior to May 17, 2024, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any national securities exchange or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (2) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancelation of the original Note. On and after the redemption date, interest will cease to

accrue on Notes or portions of them called for redemption.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any redemption price and Applicable Premium payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s and the Subsidiary Guarantors’ then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event.”

The phrase “all or substantially all”, as used with respect to the assets of the Company in the definition of “Change of Control,” will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) on and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or

taxing authority thereof or therein), including, without limitation, the PRC (each as applicable, a “Relevant Taxing Jurisdiction”) or any jurisdiction through which payments are made (or any political subdivision or taxing authority thereof or therein) (together with each Relevant Taxing Jurisdiction, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, on and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction;
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
- (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

None of the Trustee nor any of the Agents shall be responsible for paying any Additional Amounts or for determining whether such Additional Amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Company, any Surviving Person, any Subsidiary Guarantor, or JV Subsidiary Guarantor, Holder or any third party to pay such Additional Amounts.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, in whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change or amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall be entitled to accept such certificate and opinion without enquiry or investigation as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, provided that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) (together with refinancings thereof); provided that such Indebtedness of Non-Guarantor Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (d), (f), (g) and (m) below);
 - (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and, (ii) if the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor and none of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, in the case of a JV Subsidiary Guarantor, provided further that, any Preferred Stock issued by a Subsidiary Guarantor or a JV Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;
 - (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (o), (p), (q), (r), (s), (t), (u), (v), (w) or (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is pari passu with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is pari passu with the Notes or a Subsidiary Guarantee or a

JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made pari passu with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (r), (s), (t), (u), (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant under the caption “— Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (p) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement, provided that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement;
- (q) Indebtedness Incurred by any Restricted Subsidiary incorporated under the laws of the PRC which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (q) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (q) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed 50% of the total Fair Market Value of such Investment Properties;
- (r) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, provided that on the date of Incurrence of such Indebtedness, the aggregate principal amount outstanding of such Indebtedness permitted by this clause (r) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (s), (t), (u), (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

- (s) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a PRC Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (s) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (h) and (r) above and clauses (t), (u), (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (t) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r) and (s) above and clauses (u), (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (u) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary or an individual or natural person) by the Company or such Restricted Subsidiary, *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (u) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r), (s) and (t) above and clauses (v), (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (v) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r), (s), (t) and (u) above and clauses (w) and (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;
- (w) Unrestricted Subsidiary Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r), (s), (t), (u) and (v) above and clause (x) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets; and

- (x) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (w) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (r), (s), (t), (u) and (v) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (x) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, provided that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries); or

- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;” or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual period during which the Measurement Date occurred and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
 - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments and Investments in the Asian Games City Joint Venture made pursuant to clause (6) of the paragraph below) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from re-designations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”) but

only to the extent such Investments by the Company or any Restricted Subsidiary in such Person were not a Permitted Investment at the time such Investments were made; plus

(v) US\$150.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) or Subordinated Indebtedness (provided that such Subordinated Indebtedness was permitted to be Incurred under the “— Limitation on Indebtedness and Preferred Stock” covenant) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary; provided that, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is, directly or indirectly owned by the Company, such dividend or distribution shall be declared, paid or made on a pro rata basis or on a basis more favorable to the Company, as determined by the ownership of the Voting Stock;
- (6) Investments in the Asian Games City Joint Venture of which the Company owns a minority interest as of the Measurement Date, provided that the aggregate amount of Investments made under this clause (6)(i) after the Measurement Date shall not exceed RMB3.0 billion and (ii) any Guarantee by the Company or any Restricted Subsidiary of Indebtedness Incurred by the Asian Games City Joint Venture or any of its Subsidiaries in proportion to the Company’s direct or indirect interest in the Capital Stock of the Asian Games City Joint Venture, provided that such Guarantee is permitted to be incurred under the covenant described under “— Limitation on Indebtedness and Preferred Stock” and the aggregate amount of Indebtedness outstanding guaranteed by such Guarantees made under this clause 6(ii) shall not exceed RMB2.2 billion. For the avoidance of doubt, each Investment made pursuant to this clause 6(i) shall be valued at the time such Investment is made;

- (7) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(s) of the “Limitation on Indebtedness and Preferred Stock” covenant;
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between or among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;
- (9) the repurchase of Capital Stock of the Company by the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with the Company’s employee incentive, stock option, or stock award plans or programs from time to time, and any Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements created in connection with any such repurchase, in an aggregate amount, without duplication, not to exceed the aggregate of (i) US\$50.0 million and (ii) US\$5.0 million in any fiscal year starting from 2020;
- (10) payments made pursuant to a Staged Acquisition Agreement;
- (11) payments, including distributions, made under or in connection with any Perpetual Securities Obligation pursuant to the terms thereof or in connection with a repurchase or redemption thereof;
- (12) the declaration and payment of dividends by the Company and/or the repurchase of the Company’s Common Stock with respect to any financial year, provided that such declaration and payment of dividends by the Company pursuant to this clause (13), together with such repurchase of the Company’s Common Stock pursuant to this clause (13), shall not exceed 30.0% of the consolidated profit for the year of the Company calculated in accordance with GAAP;
- (13) the distributions or payments of Securitization Fees in connection with Receivable Financings;
- (14) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm’s length transaction in an aggregate amount, without duplication, not to exceed 20% of Total Asset, **provided that** any such purchase, redemption, retirement or acquisition shall be deemed to be an arm’s length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired; and
- (15) declaration or payment of dividends in kind or other distributions in kind consisting of Capital Stock of any Non-Core Entity held by the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with the proposed Qualified Spin-off IPO **provided that** such declaration, payment or distribution will be made to the shareholders of the Company at the time of or prior to such Qualified Spin-off IPO.

provided that, in the case of clause (2), (3), (4), (12) or (14) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clause (1) or (12) of the preceding paragraph after the Measurement Date shall be included (without duplication) in calculating whether the conditions of clause (c) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (15) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "— Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of more than one of the following: (i) the first paragraph of this "— Limitation on Restricted Payments" covenant, (ii) the second paragraph of this "— Limitation on Restricted Payments" covenant, (iii) clause (16) of the definition of "Permitted Investment", (iv) clause (21) of the definition of "Permitted Investment" and (v) clause (24) of the definition of "Permitted Investment", at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in any or all of them.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal

or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock permitted under the covenant described under the “Limitation on Indebtedness and Preferred Stock” covenant if, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; provided further that, the Board of Directors is delegated with the sole power to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;
- (g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; provided that, the Board of Directors is delegated with the sole power to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) for the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "— Limitation on Asset Sales" covenant; provided further that, paragraph (16)(v) of the definition of "Permitted Investments" shall not apply if such Investment in such Person immediately after giving effect to such issuance or sale would otherwise have been permitted under paragraph (16) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (2)(d) or (2)(r) (in the case of clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits or other assets to secure (or the use of any Guarantee, letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount, which will be conclusively evidenced by an Officers' Certificate from the Company certifying to that effect. The Trustee is fully protected in relying on such an Officers' Certificate with respect to such guarantee given by the relevant JV subsidiary Guarantor. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$30.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the Crown Golden Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with the Crown Golden Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Crown Golden Restructuring;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Crown Golden Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in

connection with the Crown Golden Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are then listed for trading;

- (8) any purchase of Capital Stock of the type specified in clause (7), (8), (9) or (10) of the second paragraph of the covenant entitled "Limitation on Restricted Payments", so long as each such purchase is in compliance with the rules of The Stock Exchange of Hong Kong Limited;
- (9) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Qualified Spin-off Group entered into in connection with a proposed restructuring in preparation for a Qualified Spin-off IPO, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed restructuring and Qualified Spin-off IPO and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed restructuring and Qualified Spin-off IPO; or
- (10) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Qualified Spin-off Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with a proposed Qualified Spin-off IPO, or any amendment, modification, extension or replacement thereof, so long as such amendment, modification, extension or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with such proposed Qualified Spin-off IPO and in compliance with the rules of the relevant Qualified Exchange.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) Investments made under clause (16) of the definition of "Permitted Investments", (iii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iv) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one part and a Minority Joint Venture, an Associate or an Unrestricted Subsidiary on the other part, and (v) for as long as the Capital Stock of the Company remains listed on the Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of the Stock Exchange of Hong Kong Limited; provided that in the case of clause (iv)(a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary of the Company), or (c) in the case of a transaction with a Minority Joint Venture, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Minority Joint Venture, Associate or Unrestricted Subsidiary is a Person described in clause (x) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Minority Joint Venture, Associate or Unrestricted Subsidiary or by reason of being a Subsidiary of the Company).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Liens permitted under paragraphs (1), (11), (13) and (14) of the definition of "Permitted Liens").

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$50.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

provided that clauses (1), (2) and (3) above shall not apply to any Asset Sale to any Person that will, upon the consummation of such Asset Sale, become a Restricted Subsidiary.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or Replacement Assets; and

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
 - (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and
- (y) the denominator of which is equal to the outstanding principal amount of the Notes and all pari passu Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other pari passu Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other pari passu Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments” (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Crown Golden Group in connection with the Crown Golden Restructuring, provided that (i) the Board of Directors of the Company has determined in good

faith that the designation of the Subsidiaries in the Crown Golden Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Crown Golden Restructuring and (ii) the members of the Restructuring Group remain Subsidiaries of the Company).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under the section entitled “— The Subsidiary Guarantees and the JV Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned directly by the Company or any other Restricted Subsidiary shall be pledged to the extent required under “— Security.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the business of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from the Rating Agency, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;

- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (8) “— Certain Covenants — Limitation on Asset Sales”; and
- (9) clauses (3) and (4) of the first and second paragraphs of “— Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s shares of Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee:
- (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and
 - (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Any financial statements provided by the Company shall be in the English language or shall be accompanied by an English translation.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenant described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a Lien on the Collateral (subject to any Permitted Liens) in accordance with the covenant described under the caption "— Security;"
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee on behalf of the Holders or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator,

assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

- (8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may (but is not obliged to), and shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) upon the written request of Holders of at least 25% in aggregate principal amount of outstanding Notes, instruct the Sub-Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity, security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity, security and/or prefunding; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and the Subsidiary Guarantors' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See “— Provision of Financial Statements and Reports.” The Trustee shall be entitled to rely on any such certification or notice, without investigation or enquiry and shall incur no liability for doing so.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation

organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

Notwithstanding the foregoing, the Company, each Subsidiary Guarantor and each JV Subsidiary Guarantor shall be permitted to sell, convey transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) as an entirety or substantially an entirety in one transaction or a series of related transactions, to any Restricted Subsidiary or any Person that will, upon the consummation of such sale, conveyance, transfer, lease or disposal, become a Restricted Subsidiary.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture and the Notes in connection with an exchange or tender offer, the Company and any Subsidiary of the Company may exclude (i) holders or beneficial owners of the Notes that are located in the U.S. or “U.S. Persons” as defined in Regulation S under the Securities Act, and (ii) holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Subsidiary of the Company to comply with the registration requirements or other similar requirements under any securities laws of any jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below has been made, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations (or any combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (ii) clause (3) under “Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause (i) above, clause (4) under “Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest, premium (if any) and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default in respect of the Notes that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will remain liable for such payments.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, if any, the Subsidiary Guarantor Pledgors, the Collateral Agent, the Sub-Collateral Agent and the Trustee may amend and supplement the Indenture, the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or any Security Document, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, or any Security Document;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depositary;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into any amendments to the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);
- (11) make any other change that does not materially and adversely affect the rights of any Holder; or
- (12) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, if any, the Subsidiary Guarantor Pledgors, the Collateral Agent, the Sub-Collateral Agent and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes may amend or waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, any Security Document, the Sub-Collateral Agent Appointment Agreement or the Intercreditor Agreement; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, the Indenture and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provision in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “Certain Covenants — Limitation on Asset Sales”;
- (13) change the redemption date or the redemption price of the Notes from that stated under the captions “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which materially and adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE AND THE PAYING AGENT

The Hongkong and Shanghai Banking Corporation Limited, has been appointed as Trustee under the Indenture and as the paying and transfer agent with regard to the Notes. The Trustee has appointed The Hongkong and Shanghai Banking Corporation Limited as the Sub-Collateral Agent, and such Sub-Collateral Agent will hold the security interest granted under the Collateral on behalf of the Trustee. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee shall not be deemed to have knowledge of any event unless it has been actually notified of such event. Neither the Trustee nor the Paying and Transfer Agents shall (a) be deemed to have knowledge of an Event of Default or a Default unless it has been notified in writing of such an Event of Default or Default thereof or (b) be obliged to take any steps to ascertain whether an Event of Default or Default has occurred. Nor shall the Trustee or Paying Agent be required to take any steps to ascertain the rating of the Notes or whether a Suspension Event has occurred and is continuing or ceases to be in effect.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates without accounting for any profit; provided, however, that if it acquires any conflict of interest, as such term is used in Section 310(b) of the Trust Indenture Act, it must eliminate such conflict or resign.

The Trustee shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and shall assume that the same are being duly performed. The Trustee shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee, as the case may be, in accordance with the instructions of the Holders pursuant to the Indenture. The Trustee shall be entitled to seek directions from, and rely on any written direction of, the Holders which has been duly given by the Holders of the requisite principal amount of the Notes outstanding pursuant to the Indenture and the Trustee, in the absence of gross negligence or willful misconduct on its part, 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.

The Hongkong and Shanghai Banking Corporation Limited, will initially act as Sub-Collateral Agent under the Security Documents in respect of the Security over the Collateral. The Sub-Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents, subject to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. Under certain circumstances, the Sub-Collateral Agent may have obligations under the Security Documents that are in conflict with the interests of the Holders. The Trustee will be under no

obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders unless such Holders (through the Trustee) have offered to the Sub-Collateral Agent indemnity and/or security and/or prefunding satisfactory to the Sub-Collateral Agent against all action, proceedings, claims and demands to which it may be or become liable and any loss, liability, damages, costs, charges or expense (including but not limited to legal expenses) which may be incurred by it in connection therewith. Furthermore, each Holder, by accepting the Notes agrees, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Sub-Collateral Agent in respect of such risks. The Sub-Collateral Agent will look to the interests of the Holders as a class rather than to individual Holders.

In the performance of its duties under the Indenture and the Security Documents, the Sub-Collateral Agent may rely, without liability to Holders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers 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 Sub-Collateral Agent may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice.

Inspection of documents held by the Trustee may be made during normal business hours upon prior written notice.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any Additional Notes will be represented by additional Global Notes (the “Additional Global Notes” and, together with the Global Note, the “Global Notes”).

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Certificated Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying and Transfer Agent. The Paying and Transfer Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all

such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “— Additional Amounts.”

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, each of Euroclear and Clearstream will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for certificated notes in certificated form, and to distribute such certificated notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate 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 participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Certificated Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for certificated notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company, or such Subsidiary Guarantor, as the case may be (if intended for the Trustee), at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream or if by mail, when so sent or deposited. Notices and other communications to the Trustee shall be effective upon actual receipt, which includes receipt by fax or email.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2017 Notes" means the US\$200 million 5.125% Senior Notes due 2022 issued by the Company on August 14, 2017.

"2017 HSBC Loan" means the HK\$1,170 million term loan facility with The Hongkong and Shanghai Banking Corporation Limited as facility agent and as security agent which the Company entered into on November 14, 2017.

"2017 ICBC Loan" means the HK\$300 million term loan facility with Industrial and Commercial Bank of China (Asia) Limited as lender which the Company entered into on November 24, 2017.

"2017 CCB Loan" means the HK\$400 million term loan facility with China Construction Bank Corporation, Hong Kong Branch as facility agent and as security agent which the Company entered into on December 19, 2017.

"2018 HSBC Loan" means the HK\$770 million term loan facility with The Hongkong and Shanghai Banking Corporation Limited as facility agent and security agent which the Company entered into on December 12, 2018.

"2018 Syndicated Loan" means the HKD and USD term loan facility in the amount of HK\$8,834 million and US\$200 million, made available to the Company pursuant to a facility agreement dated May 21, 2018, among the Company, Hang Seng Bank Limited as facility agent and security agent, and the lenders and guarantors provided therein.

“2019 Syndicated Loan” means the HKD and USD term loan facility in the amount of HK\$1,170 million and US\$100 million (with a greenshoe option of US\$500 million), made available to the Company pursuant to a facility agreement dated August 28, 2019, among the Company, Hang Seng Bank Limited as facility agent and security agent, and the lenders and guarantors provided therein.

“July 2018 Notes” means (i) the US\$200 million 8.5% senior notes due 2021 issued by the Company on July 18, 2018 and (ii) the US\$400 million 8.5% senior notes due 2021 issued by the Company on July 26, 2018 ((i) and (ii) having been consolidated to form a single series).

“November 2018 Notes” means the US\$400 million 9.5% senior notes due 2020 issued by the Company on November 23, 2018.

“2019 Notes” means the US\$500 million 6.70% senior notes due 2022 issued by the Company on March 7, 2019.

“July 2020 Notes” means the US\$500 million 5.75% senior notes due 2025 issued by the Company on July 2, 2020.

“2020 Syndicated Loan” means the HK\$3,242 million and US\$0 million (with a greenshoe option of US\$600 million) term loan facility which we entered into on June 24, 2020.

“October 2020 Notes” means the US\$483 million aggregate principal amount of 6.05% Senior Notes due 2025 issued by the Company on October 13, 2020.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after May 17, 2024, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, at any time during the period for which the determination of affiliation is made; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Agents” means any of the Paying and Transfer Agent, the Collateral Agent and the Sub-Collateral Agent.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of 100% of the principal amount of such Note on May 17, 2024 (such redemption price being described in the first paragraph in the “Optional Redemption” section exclusive of any accrued interest), plus all required remaining scheduled interest payments due on such Note through May 17, 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asian Games City Joint Venture” means Guangzhou Lihe Real Estate Development Co., Ltd., a joint venture company established in connection with the Asian Games City Project by the Company (by itself or through its Restricted Subsidiaries) with entities who are not Affiliates of the Company, in which the Company holds a minority equity interest in the joint venture company’s total outstanding Capital Stock, or any successor thereof.

“Asian Games City Project” means the acquisition, development, improvement, management and operation of the Property and any activity related, ancillary or complementary to the acquisition, development, improvement, management or operation of the Property.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; provided that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption “— Consolidation, Merger and Sale of Assets;”
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary or to any Person that becomes a Restricted Subsidiary upon consummation of such sale, transfer or disposition of assets; and

- (8) (i) any disposition of Receivable Financing Assets in connection with any Receivable Financing (other than Non-recourse Receivable Financing) permitted under the Indenture, and (ii) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof or in bankruptcy or similar proceeding.

“Associate” means any corporation, association or other business entity of which at least 20% of the Capital Stock and the Voting Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange of currencies or remit money onshore or offshore.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person **provided that** Capitalized Lease shall not include any lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

- (3) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (4) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to May 17, 2024 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to May 17, 2024.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Company acting in good faith) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted

Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Fixed Charges.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent such interest has become due and payable by the Company or any Restricted Subsidiary and (7) any capitalized interest, provided that Consolidated Interest Expense shall not include (x) interest expense arising from lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16 and (y) interest expense arising from pre-sale receipts in advance from customers; and **provided further** that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period. For the avoidance of doubt, distributions Incurred or accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Interest Expense.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Core Business or a Designated Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Core Businesses” means (i) real estate acquisition, development, leasing and management and (ii) any other business related, ancillary or complementary to the real estate businesses of the Company and its Restricted Subsidiaries, in each case, excluding any Designated Business.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements,

security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Crown Golden Group” means the group of Subsidiaries of the Company holding the Hainan Clearwater Bay project, including Hainan Clearwater Bay Holdings Limited.

“Crown Golden Restructuring” means the restructuring and Qualified IPO of, the common shares of a Subsidiary of the Company through which the Company holds (directly or indirectly) the Common Stock of Hainan Clearwater Bay Holdings Limited immediately prior to the completion of such public offering or listing.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Designated Businesses” means (i) any investment in commercial and rental properties, (ii) any environmental services, education, building and construction, furniture and renovation, gardening businesses, (iii) any property management business, property agency and property related services, (iv) any sports, leisure, travel and tourism related services, (v) any advertising and marketing services (vi) any hotel acquisition, development, operation and management businesses, and (vii) the acquisition, development, management and operation of sports and leisure facilities or infrastructure facilities.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loan” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Security Documents; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Existing Pari Passu Secured Indebtedness” means the 2017 Notes, the July 2018 Notes, the November 2018 Notes, the 2017 HSBC Loan, the 2017 ICBC Loan, the 2017 CCB Loan, the 2018 Syndicated Loan, the 2018 HSBC Loan, the 2019 Syndicated Loan, the 2020 Syndicated Loan, the 2019 Notes, the July 2020 Notes and the October 2020 Notes.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of international standing appointed by the Company.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate

Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“HKFRS” means the Hong Kong Financial Reporting Standards.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;

- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person. For avoidance of doubt, such Indebtedness Guaranteed by such Person will not be deemed as Indebtedness of such Person and only such Guarantee will be deemed as such Person's Indebtedness;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in the businesses of the Company or any of its Restricted Subsidiaries, any Entrusted Loan or Perpetual Securities Obligation; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, and (ii) equal to the net amount payable if such Hedging Obligation terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"Intercreditor Agreement" has the meaning set forth under "— Security."

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent Guaranteed by such Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or the equivalent ratings of any internationally-recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P.

(2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Property” means any property that is owned and held by the any Restricted Subsidiary incorporated under the laws of the PRC primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“Investment Receipt” means, at any time, with respect to an Investment under clause (24) of the definition of “Permitted Investment”, an amount equal to the net reduction in all Investments made under clause (24) of the definition of “Permitted Investment” since the Original Issue Date resulting from (A) receipt of payments by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) with respect to Investments in Persons, the unconditional release of a Guarantee of any obligation of any Person provided under such clause (21) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (24) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) for any Investment in a Person, such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment” definition).

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Measurement Date” means April 28, 2010.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Core Businesses” means any business other than the Core Businesses. For the avoidance of doubt, Non-Core Businesses shall include, but not be limited to, the Designated Businesses.

“Non-Core Entity” means any Subsidiary or Associate which is primarily engaged, directly or indirectly, in a Non-Core Business.

“Non-Guarantor Restricted Subsidiary” means any Restricted Subsidiary that is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor.

“Non-recourse Receivable Financing” means Receivable Financing (i) under which neither the Company nor any Restricted Subsidiary provides guarantee or recourse with respect to the Receivable Financing Assets, undertakes to repurchase any Receivable Financing Assets, subjects any of its properties or assets, directly or indirectly, contingently or otherwise, to the satisfaction of any obligation related to the Receivable Financing Assets or undertakes to maintain or preserve the financial condition or operating results of the entity that purchases or otherwise receives the Receivable Financing Assets and (ii) is not reflected as liability on the consolidated balance sheet of the Company.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying and Transfer Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying and Transfer Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying and Transfer Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying and Transfer Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall, upon direction by the Company, promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Subsidiary Guarantee” means a Guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor; provided that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks pari passu with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (4) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1);
- (3) the estate, trust or any immediate family member of any Persons listed in (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more Persons specified in clauses (1), (2) and (3).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Limitation on Asset Sales.”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees, Unrestricted Subsidiary Pre-Registration Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property, land use rights or personal property (including without limitation, Capital Stock) or services by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(16) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person, provided that:

(i) the aggregate of all Investments made under this clause (16) since the Measurement Date shall not exceed in aggregate an amount equal to 30% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Measurement Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause of an obligation of any such Person,

(C) to the extent that an Investment made after the Measurement Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or

(D) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”),

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (16),

(ii) if any of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (16) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates”, such Investment shall comply with the requirements set forth under the caption “— Limitation on Transactions with Shareholders and Affiliates”; and

(iii) no Default has occurred and is continuing or would occur as a result of such Investment;

For the avoidance of doubt, the value of each Investment made pursuant to this clause (16) shall be valued at the time such Investment is made;

(17) advances to government authorities or government-affiliated entities in the PRC in connection with the financing of primary land development in the ordinary course of business that are recorded as assets in the Company’s balance sheet;

(18) Guarantees permitted under clause 2(u) of the covenant under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

(19) payments made pursuant to a Minority Interest Staged Acquisition Agreement, if, on the date that such Minority Interest Staged Acquisition Agreement was entered into, such payments would be permitted to be made under (i) clause (c) of the first paragraph under the covenant captioned “— Limitation on Restricted Payments,” no Default has occurred and is continuing or would occur as a result of such payment and the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” after giving effect to such payment, provided that each payment made with respect to such Minority Interest Staged Acquisition Agreement pursuant to this clause (19)(i) after the Measurement Date shall be included in calculating whether the conditions of clause (c) of the first paragraph under the covenant captioned “— Limitation on Restricted Payments” have been met with respect to any subsequent Restricted Payments, or (ii) clause (16) of “Permitted Investments,” provided that each payment made with respect to such Minority Interest Staged Acquisition Agreement pursuant to this clause (19)(ii) after the Measurement Date

shall be included in calculating whether the conditions of sub-clause (i) of clause (16) of “Permitted Investments” have been met with respect to any subsequent Investments made pursuant to such clause (16) of “Permitted Investments” (for the avoidance of doubt, the Company shall have discretion to determine whether such payments are to be made under sub-clause (i) or (ii) of this clause (19));

- (20) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Crown Golden Group in connection with the Crown Golden Restructuring upon designation of the Subsidiaries in the Crown Golden Group as Unrestricted Subsidiaries, provided that (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Crown Golden Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Crown Golden Restructuring and (ii) the members of the Restructuring Group remain Subsidiaries of the Company; and provided further that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event;
- (21) any Investment deemed to have been made by the Company or any Restricted Subsidiary in any Non-Core Entity of a Qualified Spin-off Group upon the designation of such Non-Core Entity as an Unrestricted Subsidiary;
- (22) any Investment by the Company or any Restricted Subsidiary in any trust, fund or asset management plan primarily engaged, directly or indirectly, in the investment in any real estate project acquired, developed, managed or operated by the Company or any Restricted Subsidiary; provided that none of the other holders of any interest of such trust, fund or asset management plan (other than holders that beneficially own in the aggregate no more than 10% of the Capital Stock of such trust, fund or asset management plan) is a Person described in clause (x) or (y) of the first paragraph of the covenant described under “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such holder being a director or officer of the Company or a Restricted Subsidiary or by reason of being a Subsidiary, Minority Joint Venture or Associate of the Company);
- (23) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing; and
- (24) any Investment by the Company or any Restricted Subsidiary, provided that the aggregate amount of all Investments made after the Original Issue Date under this clause (24), less the aggregate amount of all Investment Receipts received after the Original Issue Date in connection with any Investment made after the Original Issue Date under this clause (24), shall not exceed US\$450 million.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “— Security — Permitted Pari Passu Secured Indebtedness”;
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property; provided that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that, such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected

in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including, without limitation, Capital Stock) or services by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on current assets securing Indebtedness permitted to be Incurred under clause (2)(n) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (23) Liens to secure Entrusted Loans;
- (24) Liens securing Indebtedness permitted to be Incurred under clause (2)(o) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (25) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary incorporated under the laws of the PRC permitted to be Incurred under clause (2)(q) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (26) Liens Incurred on deposits or bank accounts or other assets made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(r) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (27) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(s) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (28) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(p) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (29) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(t) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (30) Liens securing Indebtedness Guaranteed by the Company or any Restricted Subsidiary which is permitted to be Incurred under clause (2)(u) of the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (31) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Unrestricted Subsidiary Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (w) of the second paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock”; and
- (32) Liens securing Indebtedness Incurred under clause (2)(x) of the “— Certain Covenants-Limitation on Indebtedness and Preferred Stock” covenant.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under “— Security — Permitted Pari Passu Secured Indebtedness.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Restricted Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all Indebtedness of the Non-Guarantor Restricted Subsidiaries (excluding any Public Indebtedness and any Indebtedness of any Non-Guarantor Restricted Subsidiary permitted under clauses (2)(d), (f), (g) and (m) of the covenant entitled “Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 20% of the Total Assets.

“Perpetual Securities Obligation” means perpetual securities that are accounted for as equity in accordance with the relevant generally accepted accounting principles.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020 and the Detailed Rules for the Regulation of Implementing the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020, as such laws and rules may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Property” means the parcel or parcels of land located at Panyu District, Guangzhou City, Guangdong Province, the PRC, and any real or personal property located thereon, including any property or structure erected, constructed, fixed, attached or located thereon, as described in the land grant contract, dated December 22, 2009, between (i) the Guangzhou Land and Property Exchange Center, and (ii) Foshan Shunde Country Garden Property Development Company Limited, Gold Volcano Group Limited, Guangzhou R&F Properties Co., Ltd., Kilowell International Limited and Globe Times Investments Limited, as amended or supplemented.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) the New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, Shanghai Stock Exchange or Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means an initial public offering, and a listing of, Capital Stock of a company on a Qualified Exchange, provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of not less than the percentage required by the applicable listing rules.

“Qualified Spin-off Group” means, collectively, (i) any Non-Core Entity the Voting Stock of which is, or is expected to be pursuant to a definitive plan, listed on a Qualified Exchange in a Qualified Spin-off IPO, and (ii) the Subsidiaries of such Non-Core Entity.

“Qualified Spin-off IPO” means any Qualified IPO of a Non-Core Entity.

“Rating Agency” means (1) S&P and (2) if S&P shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (2) the equivalent of any such category of S&P used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P ; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means (1) 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 Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets”, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) 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 Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agency) of any of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, Merger and Sale of Assets”, the notification by any of the Rating Agency that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by the Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (b) in the event the Notes are rated below Investment Grade by the Rating Agency on the Rating Date, the rating of the Notes by the Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling by such other Person securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, 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 Company by such Reference Treasury Dealer at 5:00p.m. New York City time on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in the businesses of the Company or any of its Restricted Subsidiaries.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring Group” means the company whose common shares are expected to be offered in the Crown Golden Restructuring, and its Subsidiaries.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person **provided that** Sale and Leaseback Transaction shall not include such transactions which give rise to any lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in any or all of the Collateral.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; provided that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term “10 percent” is used, the term “5 percent” shall be substituted therefor.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China or Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China or Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least “A” by S&P or Moody’s;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank or financial institution organized under the laws of the PRC or Hong Kong; and
- (8) structured deposit products with a term not exceeding six months that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that

- (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, provided further, that with respect to Future Subsidiary Guarantors and Future Subsidiary Guarantor Pledgors, Total Assets of any future Restricted Subsidiary shall mean, as of any date, the total assets of such Restricted Subsidiary measured as of the last day of the most recent semi-annual period for which financial statements of such Restricted Subsidiary (which the Company shall use its best efforts to compile on a timely manner) is available;
- (2) only with respect to clause (2)(v) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming a Restricted Subsidiary where the Company elects to have such Restricted Subsidiary not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee pursuant to the 10th paragraph under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees,” pro forma effect shall at such time be given to the consolidated assets of such Restricted Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a Restricted Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors (including for the avoidance of doubt, factors or assignees under any accounts receivable financing of such trade creditors) created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the caption “Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” each of Deluxe Star International Limited (旺紀國際有限公司), Star Ahead Limited (晉星有限公司), Top Delight International Limited (興致國際有限公司), Sinorinc Investments (BVI) Limited (中興投資(BVI)有限公司), Chapel Dawn Limited (光瑞有限公司), A-City Group Limited (雅居樂雅城集團有限公司) and Agile City Group Limited (雅城集團有限公司), (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (3) any Subsidiary of an Unrestricted Subsidiary.

“Unrestricted Subsidiary Pre-Registration Mortgage Guarantee” means any indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from any Unrestricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary. However, for the purposes of “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” section, “Wholly Owned” means the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a general description of certain Cayman Islands and Hong Kong tax considerations relating to the Notes. It does not purport to be a comprehensive description of all of 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 the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

CAYMAN ISLANDS

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from August 2, 2005.

There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands.

The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double taxation treaties.

BRITISH VIRGIN ISLANDS

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by us or any of the BVI Subsidiary Guarantors pursuant to the Notes or the Subsidiary Guarantees.

HONG KONG

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal or distributions in respect of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, exchange or redemption of the Notes where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Distributions on the Notes will be subject to Hong Kong profits tax where such distributions are derived from a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and the income that arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such distributions are in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security (so long as the register of holders of the Notes is maintained outside Hong Kong, as is expected to be the case).

The Proposed Financial Transactions Tax

On February 14, 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common financial transactions tax (“FTT”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). However, Estonia has since stated that it will not participate. If the Commission’s Proposal is adopted, the FTT would be a tax primarily on “financial institutions” (which could include the Company) in relation to “financial transactions” (which could include the issuance or sale of the Notes).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a participating Member State.

The FTT may give rise to tax liabilities for the Company if it is adopted based on the Commission’s Proposal. It should be noted that the FTT could be payable by Holders, including in relation to secondary market transactions, if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission’s Proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt but there is, however, uncertainty in relation to the intended scope of the exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

SUMMARY OF THE PURCHASE AGREEMENT

Under the terms and subject to the conditions contained in a purchase agreement dated May 10, 2021 (the “Purchase Agreement”) Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, Standard Chartered Bank, BOCOM International Securities Limited, CMBC Securities Company Limited, HeungKong Securities Limited and The Bank of East Asia, Limited have agreed, severally but not jointly, to purchase from us, and we have agreed to sell to the Initial Purchasers, the following aggregate principal amount of the Notes:

<u>Name</u>	<u>Principal Amount</u> (USD)
Barclays Bank PLC	80,000,000
Credit Suisse (Hong Kong) Limited	80,000,000
Standard Chartered Bank	80,000,000
BOCOM International Securities Limited.	20,000,000
CMBC Securities Company Limited	14,000,000
HeungKong Securities Limited	14,000,000
The Bank of East Asia, Limited	12,000,000
Total	300,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes is several and subject to the approval of certain legal matters by its counsel and certain other conditions. The Initial Purchasers are committed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers.

In addition, the Company has agreed to pay through the Joint Lead Managers, a commission to certain private banks in connection with the distribution of the Notes. This commission will be based on the principal amount of the Notes subscribed for by certain private banks.

We and the Subsidiary Guarantors have agreed, jointly and severally, to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

The Notes are new issues of securities with no established trading market. Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that we will ultimately obtain such listing. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers appointed and acting in its capacity as a stabilization manager, may, on behalf of the Initial Purchasers, engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes. These transactions may be effected in the over-the-counter market or otherwise.

We intend to use the net proceeds from this offering mainly for refinancing of certain existing medium to long term offshore indebtedness which will become due within one year. See “Use of Proceeds.”

The Initial Purchasers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity as 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 account 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 Company or its

subsidiaries, jointly controlled entities or associated companies, including the Notes, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes may be purchased by or be allocated to any Initial Purchasers or an affiliate for asset management and/or proprietary purposes but not with a view to 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. We may from time to time enter into hedging or other derivative transactions, including swap agreements, future or forward contracts, option agreements or other similar arrangements, as part of our risk management strategy with the Initial Purchasers or their affiliates, which may include transactions relating to our obligations under the Notes all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral permitted under the Indenture.

The securities may be sold in any of the three ways (or in any combination): (1) to or through underwriters or dealers; (2) directly to one or more purchasers; or (3) through agents. The securities covered by this offering memorandum may be distributed from time to time in one or more transactions: (1) at a fixed price or prices, which may be changed from time to time; (2) at market prices prevailing at the time of sale; (3) at prices related to the prevailing market prices; or (4) at negotiated prices. Such prices may be different from the issue price of the Notes.

If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, such offering shall be made by the Initial Purchasers or affiliate on behalf of the Company in such jurisdiction.

SELLING RESTRICTIONS

United States of America

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in compliance with an available exemption from registration under the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each Initial Purchaser has represented, undertaken and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (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.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each Initial Purchaser has represented, undertaken and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum in relation thereto to any retail investor in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Notes or

otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

United Kingdom

Each Initial Purchaser has represented, warranted and agreed that:

- (a) (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 the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Company;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company or the Subsidiary Guarantors; 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 the Notes in, from or otherwise involving the United Kingdom.

Singapore

The Initial Purchasers have acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, the Initial Purchasers have represented that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;

- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA — *the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Hong Kong

The Initial Purchasers have represented and agreed that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the SFO and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (2) 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 any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO (Cap. 571) and any rules made thereunder.

Japan

The Initial Purchasers have represented, warranted and undertaken that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized 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 Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

Italy

The Initial Purchasers have represented and agreed that: (i) it shall not make any solicitation in connection with any offering of Notes in Italy; (ii) no copies of this offering memorandum or any other documents relating to the Notes will be distributed in Italy; and (iii) no Notes may be offered, sold or delivered in Italy.

Cayman Islands

The Initial Purchasers have represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Cayman Islands.

PRC

The Initial Purchasers have represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People’s Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

British Virgin Islands

The Initial Purchasers have represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the British Virgin Islands.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45–106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31–103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

GENERAL

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

No action is being taken or is contemplated by us that would permit a public offering of the Notes or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers and their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory, commercial banking and investment banking services, for us and our affiliates in the ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes and may hold a position in securities of the issuer which may be subject to refinancing using the proceeds of the issuance of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes (including the Subsidiary Guarantees), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Notes (including the Subsidiary Guarantees) have not been registered under the Securities Act or any other applicable securities laws;
 - the Notes (including the Subsidiary Guarantees) are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Notes (including the Subsidiary Guarantees) are being offered and sold only outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Notes (including the Subsidiary Guarantees) may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes (including the Subsidiary Guarantees), other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Notes (including the Subsidiary Guarantees) including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing Notes (including the Subsidiary Guarantees) for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes (including the Subsidiary Guarantees) in violation of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes (including the Subsidiary Guarantees) by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes (including the Subsidiary Guarantees) may be offered, sold or otherwise transferred only:
 - (a) to us;
 - (b) under a registration statement that has been declared effective under the Securities Act;
 - (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or
 - (d) under any other available exemption from the registration requirements of the Securities Act,subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is 40 days after the closing date (the “Resale Restriction Period”), and will not apply after the applicable Resale Restriction Period ends;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clause (d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and
- each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS 40 DAYS AFTER THE ORIGINAL ISSUE DATE HEREOF, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Notes (including the Subsidiary Guarantees) as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law, Sidley Austin as to matters of Hong Kong and United States federal and New York law and Jingtian & Gongcheng Attorneys at Law as to matters of PRC law. Certain legal matters will be passed upon for the Sole Lead Manager by Norton Rose Fulbright Hong Kong as to matters of United States federal and New York law and Commerce & Finance Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with the HKSA issued by the HKICPA as stated in the reports therein have been reproduced from our annual reports for the years ended December 31, 2019 and 2020, respectively.

GENERAL INFORMATION

CONSENTS

We have all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and offering of the Notes and Subsidiary Guarantees. The entering into of the Indenture governing the Notes and the issue and offering of the Notes have been authorized by a resolution of our board of directors dated May 7, 2021. The entering into of the Indenture and the giving of the Subsidiary Guarantees have been authorized by resolutions of the board of directors of each Subsidiary Guarantor dated May 7, 2021.

LITIGATION

Save as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

NO MATERIAL ADVERSE CHANGE

Except as may be otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2020 that is material in the context of the issue of the Notes.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at our office at 18/F, Three Pacific Place, 1 Queen's Road East, Hong Kong and at the specified offices of the paying agents.

For so long as any of the Notes are outstanding, copies of our consolidated audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at our office at 33rd Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong and at the specified offices of the paying agents.

CLEARING SYSTEM AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS 2343627712	234362771

Only Notes evidenced by a Global Certificate have been accepted for clearance through Euroclear and Clearstream.

LISTING OF THE NOTES

Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a paying agent in Singapore where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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Notes:

- (1) The audited consolidated financial statements set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2019 and 2020, and page references are references to pages set forth in such reports. The audited consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Agile Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Agile Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 236, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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 (CONTINUED)

The key audit matters identified in our audit and our audit procedures performed to address these key audit matters are set out as below:

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Assessment of provisions for impairment of properties under development and completed properties held for sale</p> <p>Refer to notes 4.1(a), 12 and 13 to the consolidated financial statements.</p> <p>Properties under development and completed properties held for sale amounted to RMB132,214,806,000 as at 31 December 2020, accounting for 42% of the Group's total assets. Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable values were assessed taking into account of costs to completion of properties under development, variable selling expenses based on past experience and selling price based on prevailing market conditions.</p> <p>Based on management's assessment, a provision of RMB1,363,526,000 for properties under development and a provision of RMB697,314,000 for completed properties held for sale were made as at 31 December 2020.</p> <p>We focused on auditing the provisions for impairment of properties under development and completed properties held for sale because the estimation of net realisable values is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of properties under development and completed properties held for sale is considered significant due to significant judgements and estimates involved in determination of net realisable values.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) We obtained an understanding of management's internal control and assessment process of the provisions for impairment of properties under development and completed properties held for sale and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (ii) We evaluated the outcome of prior period assessment of impairment of properties under development and completed properties held for sale to assess the effectiveness of management's estimation process; (iii) We evaluated and tested the key controls relating to management's assessment on the impairment of properties under development and completed properties held for sale, including the identification of properties with impairment indicators, the quantification and recording of impairment provisions; (iv) We assessed the Group's estimates of the anticipated costs to completion for properties under development by reconciling the anticipated costs to completion to the approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar location. We performed analysis on management's material cost adjustments;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
	<p>(v) We challenged and assessed the reasonableness of management's assumptions when determining the net sales value based on prevailing market conditions by:</p> <ul style="list-style-type: none"> • Researching the selling prices from the public available resources and comparing the estimated selling price to the most recent selling price for the properties under presales or the prevailing market price of the same type of properties in the same location; • Analysing the historical selling expenses to selling price ratio, assessing whether management's estimated selling expenses were within such range. <p>(vi) We assessed the adequacy of the disclosures related to impairment of properties under development and completed properties held for sale in the context of the applicable financial reporting framework; and</p> <p>(vii) We also considered whether the judgements made in selecting the methodology and the key assumptions would give rise to indicators of possible management bias.</p> <p>Based on the above, we found that the significant judgements and estimates made by management in relation to the impairment assessment of properties under development and completed properties held for sale were supported by available evidence.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Valuations of investment properties</p> <p>Refer to notes 4.1(b) and 7 to the consolidated financial statements.</p> <p>The Group's investment properties were measured at fair value of RMB10,849,449,000 as at 31 December 2020, with revaluation gains of RMB196,906,000 recorded as "other gains, net" in the consolidated income statement for the year then ended.</p> <p>Independent external valuations were performed for all of investment properties in order to support management's estimates. Fair values of completed investment properties are derived using income capitalisation approach or the direct comparison approach, where applicable. The fair values of investment properties under construction are prepared under residual approach.</p> <p>We focused on auditing the valuations of investment properties because the estimation of term yields and reversionary yields, market rents, market prices and estimated costs to completion is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuations of investment properties is considered significant due to significant judgements and estimates involved in determination of fair value.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) We obtained an understanding of the management's internal control and assessment process of the valuations of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (ii) We evaluated the competency, capabilities and objectivity of the external valuers; (iii) We checked, on a sample basis, accuracy and relevance of the input data used in the valuation and checked the mathematical accuracy of the valuations; (iv) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We agreed the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

How our audit addressed the Key Audit Matters

- (v) For investment properties under construction, we challenged and assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date;
- (vi) We assessed the adequacy of the disclosures related to valuation of investment properties in the context of the applicable financial reporting framework; and
- (vii) We also considered whether the judgements made in selecting the methodology and the key assumptions would give rise to indicators of possible management bias.

Based on the above, we found that the significant judgements and estimates made by management in relation to the valuations of investment properties were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Assessment of goodwill impairment</p> <p>Refer to notes 4.1(c) and 9 to the consolidated financial statements.</p> <p>As at 31 December 2020, the Group had goodwill of RMB4,264,614,000 primarily in relation to the Group's acquisition of property management services groups, environmental protection groups and construction groups (the "Acquirees"). A provision of RMB723,802,000 was made for goodwill arising from certain Acquirees.</p> <p>Goodwill is tested for impairment annually or when there are events or changes in circumstances indicate that it might be impaired. For the purpose of impairment assessment, goodwill was allocated to respective groups of cash generating units of the Acquirees. Management assessed the recoverable amount of major Acquirees with the assistance of independent external valuers (the "External Valuers") and determined based on a value-in-use ("VIU") calculation using cash flow projections based on financial budgets approved by management. The key assumptions considered primarily include (i) compound annual growth rate of revenue, (ii) earnings before interest, tax, depreciation and amortisation ("EBITDA") margin, (iii) long-term growth rate, and (iv) pre-tax discount rate.</p> <p>We focused on auditing the impairment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the impairment models and subjectivity of significant assumptions used.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) We obtained an understanding of the management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (ii) We evaluated the outcome of prior period assessment of impairment of goodwill to assess the effectiveness of management's estimation process; (iii) We evaluated the competency, capabilities and objectivity of the External Valuers; (iv) We challenged and assessed the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation specialists; (v) We assessed the reasonableness of the key assumptions adopted by management by (i) evaluating the historical estimation accuracy of the cash flow forecast by, for example, comparing the forecast used in the prior year to the actual performance of the business in the current year; (ii) assessed the pre-tax discount rates with reference to comparable listed companies; (iii) evaluating the reasonableness of the key assumptions used in the cash flow forecast, including compound annual revenue growth rates and EBITDA margins, taking into account the approved budgets, historical financial data and plans of the Acquirees; (iv) for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
	<p>(vi) We tested source data to supporting evidence on a sample basis, such as approved budgets and available market data;</p> <p>(vii) We performed sensitivity analysis on the key assumptions adopted in the impairment assessment so as to assess the potential implication on the results of the impairment assessment if these key assumptions are to be changed within a reasonable range;</p> <p>(viii) We assessed the adequacy of the disclosures related to impairment assessment of goodwill in the context of the applicable financial reporting framework; and</p> <p>(ix) We also considered whether the judgements made in selecting the methodology and the key assumptions would give rise to indicators of possible management bias.</p> <p>Based on the above, we found that the significant management's judgements and key assumptions adopted in the goodwill impairment assessment were supported by available evidence.</p>

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Directors and The Audit Committee for the Consolidated Financial Statements

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

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

The audit committee are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 March 2021

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	6	12,080,847	11,701,956
Investment properties	7	10,849,449	8,495,950
Right-of-use assets	8	3,376,304	3,077,209
Goodwill	9	4,264,614	3,897,055
Other intangible assets	9	3,576,350	1,578,192
Investments accounted for using the equity method	10	18,179,155	14,711,189
Prepayments for acquisition of equity interests		523,321	468,000
Prepayments for acquisition of land use rights	11	34,285	–
Properties under development	12	30,973,623	31,742,993
Other receivables	16	7,508,793	5,182,026
Financial assets at fair value through other comprehensive income	15	510,639	262,036
Deferred income tax assets	28	1,392,281	1,350,770
		93,269,661	82,467,376
Current assets			
Completed properties held for sale	13	19,092,671	13,447,730
Inventories		248,325	343,029
Prepayments for acquisition of land use rights	11	8,311,775	10,669,360
Contract assets	5	3,204,597	1,379,556
Properties under development	12	82,148,512	79,622,115
Trade and other receivables	16	50,021,335	35,360,168
Prepaid income taxes		5,355,663	6,077,471
Financial assets at fair value through profit or loss	17	1,247,819	1,008,031
Assets held for sale		–	302,108
Restricted cash	18	8,938,792	9,003,578
Cash and cash equivalents	19	41,925,908	33,551,303
		220,495,397	190,764,449
Total assets		313,765,058	273,231,825

CONSOLIDATED BALANCE SHEET (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2020	2019
Equity			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	20	3,421,883	3,421,883
Shares held for Share Award Scheme	21	(156,588)	(156,588)
Other reserves	22	3,416,513	2,931,267
Retained earnings		44,133,820	38,277,061
		50,815,628	44,473,623
Perpetual Capital Securities	23	13,637,493	13,566,867
Non-controlling interests		12,516,601	7,295,986
Total equity		76,969,722	65,336,476
Liabilities			
Non-current liabilities			
Borrowings	24	59,243,748	54,372,620
Other payables	25	4,284,452	2,201,976
Financial liabilities at fair value through profit or loss	26	101,235	83,092
Contract liabilities	27	75,271	–
Lease liabilities	8	392,927	390,326
Deferred income tax liabilities	28	4,087,131	3,179,780
		68,184,764	60,227,794
Current liabilities			
Borrowings	24	38,569,018	42,297,082
Trade and other payables	25	75,229,690	53,917,720
Financial liabilities at fair value through profit or loss	26	1,004,423	53,684
Contract liabilities	27	36,306,083	33,653,950
Lease liabilities	8	244,011	182,411
Current income tax liabilities		17,257,347	17,562,708
		168,610,572	147,667,555
Total liabilities		236,795,336	207,895,349
Total equity and liabilities		313,765,058	273,231,825

The notes on pages 122 to 236 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 114 to 121 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf by:

Chen Zhuo Lin

Chan Cheuk Hung

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Operation			
Revenue	5	80,245,252	60,239,097
Cost of sales	32	(56,142,868)	(41,881,111)
Gross profit		24,102,384	18,357,986
Selling and marketing costs	32	(2,384,710)	(2,026,178)
Administrative expenses	32	(5,234,723)	(3,998,883)
Net impairment losses on financial and contract assets	3.1(c)	(566,679)	(149,574)
Other gains, net	29	3,740,426	4,802,164
Other income	30	1,669,854	1,282,537
Other expenses	31	(400,044)	(228,300)
Operating profit		20,926,508	18,039,752
Finance costs, net	34	(1,040,210)	(2,529,824)
Share of post-tax profits of investments accounted for using the equity method	10	1,585,630	1,086,246
Profit before income tax		21,471,928	16,596,174
Income tax expenses	35	(9,223,051)	(7,362,928)
Profit for the year		12,248,877	9,233,246
Profit attributable to:			
Shareholders of the Company		9,474,597	7,511,794
Holders of Perpetual Capital Securities	23	1,083,780	850,225
Non-controlling interests		1,690,500	871,227
		12,248,877	9,233,246
Earnings per share from continuing operations attributable to shareholders of the Company for the year (expressed in Renminbi per share)			
— Basic	36	2.440	1.935
— Diluted	36	2.440	1.935

The notes on pages 122 to 236 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Profit for the year		12,248,877	9,233,246
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
— Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		110,369	21,857
— Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	6	5,651	—
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		(9,342)	1,147
Other comprehensive income for the year, net of tax		106,678	23,004
Total comprehensive income for the year		12,355,555	9,256,250
Attributable to:			
— Shareholders of the Company		9,598,779	7,532,534
— Holders of Perpetual Capital Securities		1,083,780	850,225
— Non-controlling interests		1,672,996	873,491
		12,355,555	9,256,250

The notes on pages 122 to 236 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Attributable to owners of the Company					Perpetual Capital Securities (note 23)	Non- controlling interests	Total equity
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total			
Balance at 1 January 2020	3,421,883	(156,588)	2,931,267	38,277,061	44,473,623	13,566,867	7,295,986	65,336,476
Comprehensive income								
Profit for the year	–	–	–	9,474,597	9,474,597	1,083,780	1,690,500	12,248,877
Other comprehensive income								
Currency translation differences	–	–	8,534	–	8,534	–	(17,876)	(9,342)
Revaluation gain on property, plant and equipment, net of tax	–	–	5,651	–	5,651	–	–	5,651
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	109,997	–	109,997	–	372	110,369
Total comprehensive income	–	–	124,182	9,474,597	9,598,779	1,083,780	1,672,996	12,355,555
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	485,174	(485,174)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(1,013,154)	–	(1,013,154)
Capital injection by non-controlling interests	–	–	–	–	–	–	1,592,340	1,592,340
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	2,316,359	2,316,359
Acquisition of additional interests in subsidiaries	–	–	(208,480)	–	(208,480)	–	(58,478)	(266,958)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(501,722)	(501,722)
Other transaction with non-controlling interests	–	–	84,370	–	84,370	–	199,120	283,490
Dividends (note 37)	–	–	–	(3,132,664)	(3,132,664)	–	–	(3,132,664)
Total transactions with owners, recognised directly in equity	–	–	361,064	(3,617,838)	(3,256,774)	(1,013,154)	3,547,619	(722,309)
Balance at 31 December 2020	3,421,883	(156,588)	3,416,513	44,133,820	50,815,628	13,637,493	12,516,601	76,969,722

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

	Attributable to owners of the Company							
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total	Perpetual Capital Securities (note 23)	Non- controlling interests	Total equity
Balance at 1 January 2019	3,421,883	(156,588)	2,604,982	35,368,931	41,239,208	8,334,875	5,406,850	54,980,933
Comprehensive income								
Profit for the year	–	–	–	7,511,794	7,511,794	850,225	871,227	9,233,246
Other comprehensive income								
Currency translation differences	–	–	(1,117)	–	(1,117)	–	2,264	1,147
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	21,857	–	21,857	–	–	21,857
Total comprehensive income	–	–	20,740	7,511,794	7,532,534	850,225	873,491	9,256,250
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	753,986	(753,986)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(990,199)	–	(990,199)
Redemption of Perpetual Capital Securities (note 23)	–	–	(427,512)	(77,201)	(504,713)	(4,305,407)	–	(4,810,120)
Capital injection by non-controlling interests	–	–	–	–	–	–	668,576	668,576
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	838,218	838,218
Acquisition of additional interests in subsidiaries	–	–	41,250	–	41,250	–	(140,050)	(98,800)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(351,099)	(351,099)
Issuance of Perpetual Capital Securities (note 23)	–	–	–	–	–	9,677,373	–	9,677,373
Dividends (note 37)	–	–	–	(3,772,477)	(3,772,477)	–	–	(3,772,477)
Put options granted during the acquisition of subsidiaries	–	–	(62,179)	–	(62,179)	–	–	(62,179)
Total transactions with owners, recognised directly in equity	–	–	305,545	(4,603,664)	(4,298,119)	4,381,767	1,015,645	1,099,293
Balance at 31 December 2019	3,421,883	(156,588)	2,931,267	38,277,061	44,473,623	13,566,867	7,295,986	65,336,476

The notes on page 122 to 236 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Cash flows from operating activities			
Cash generated from operations	39(a)	18,226,652	1,007,183
Interest paid		(6,441,954)	(6,282,614)
PRC income tax paid		(8,477,444)	(9,275,848)
Net cash generated from/(used in) operating activities		3,307,254	(14,551,279)
Cash flows from investing activities			
Advance consideration received from disposal of equity interests in certain subsidiaries		7,050,760	2,681,106
Proceeds from/(payments made to) disposal of subsidiaries	38	496,772	(235,495)
Payments of construction cost of investment properties		–	(52,430)
Investments in associates and joint ventures		(1,641,611)	(2,103,494)
Prepayment for acquisitions of equity interests		(313,298)	(468,000)
Purchases of property, plant and equipment and self-used land use rights		(3,121,670)	(2,118,509)
Purchases of intangible assets		(487,518)	(14,586)
Proceed received from disposal of investment properties, land use rights and property, plant and equipment		314,480	309,003
Cash paid for acquisition of subsidiaries through business combination	40	(93,478)	(2,536,405)
Cash advances made to joint ventures, associates and other related parties		(7,300,726)	(5,668,240)
Repayment of cash advances from joint ventures, associates and other related parties		4,133,347	10,156,482
Repayment of cash advances from non-controlling interests		1,578,850	846,842
Cash advance made to non-controlling interests		(1,288,014)	(1,207,507)
(Payments)/proceeds received to settle derivative financial instruments		(704,112)	253,216
Payment for acquisition of financial assets at fair value through other comprehensive income		(105,966)	(218,114)
Purchase of wealth management products		(20,797,253)	(35,215,944)
Redemption of wealth management products		20,840,723	34,845,212
Payment for acquisition of other financial assets at fair value through profit or loss		(3,306)	(1,331,425)
Proceeds from settlement of other financial assets at fair value through profit or loss		10,914	4,877,567
Disposal of financial assets at fair value through other comprehensive income		700	–
Proceeds from disposal of joint ventures and an associate		735,180	–
Interest and dividend income received		1,471,368	1,081,625
Net cash generated from investing activities		776,142	3,880,904

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from financing activities			
Proceeds from issuance of Perpetual Capital Securities		–	9,753,310
Issuance cost of Perpetual Capital Securities		–	(75,937)
Redemption of Perpetual Capital Securities		–	(4,810,120)
Net proceeds from borrowings		61,861,169	48,248,554
Repayments of borrowings		(61,293,771)	(42,799,664)
Decrease in guarantee deposit for borrowings		310,125	219,798
Cash advances from related parties		5,720,870	3,636,493
Repayments of cash advances made to related parties		(1,143,007)	(495,538)
Cash advance from non-controlling interests		4,492,935	1,898,876
Repayments of cash advances from non-controlling interests		(2,248,177)	(2,295,002)
Capital contribution by non-controlling interests		1,592,340	668,576
Principal elements of lease payments		(274,422)	(285,477)
Non-controlling interest from acquisition of additional interests in subsidiaries		(266,958)	(98,800)
Other transaction with non-controlling interests		283,490	–
Distribution to holders of Perpetual Capital Securities		(1,013,154)	(990,199)
Dividends paid to shareholders of the Group		(3,132,658)	(3,772,477)
Dividends paid to non-controlling interests		(448,602)	(351,099)
Net cash generated from financing activities		4,440,180	8,451,294
Net increase/(decrease) in cash and cash equivalents		8,523,576	(2,219,081)
Cash and cash equivalents at beginning of the year		33,551,303	35,776,231
Exchange losses on cash and cash equivalents		(148,971)	(5,847)
Cash and cash equivalents at end of the year	19	41,925,908	33,551,303

The notes on pages 122 to 236 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

1 General information

Agile Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the “Group”) are principally engaged in property development in the People’s Republic of China (the “PRC”).

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 15 December 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 23 March 2021.

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements is authorised for issue, COVID-19 doesn’t have any material adverse impact on the financial position and operating result of the Group.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and , financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of consolidated financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to HKAS 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting
- Annual Improvements to HKFRS Standards 2018-2020 Cycle.
- Lease — COVID-19 Related Rent Concessions — amendments to HKFRS 16

The amendments listed above did not have significant impact on the amounts recognised in the current or prior periods and is not likely to affect future periods.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Presentation of financial statements — classification of liabilities	1 January 2023
Amendments to HKFRS 3	Business combinations	1 January 2022
Amendments to HKAS 16	Property, plant and equipment	1 January 2022
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets	1 January 2022
Annual improvements to HKFRS 9	Financial instruments	1 January 2022
HKFRS 17	Insurance contract	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations, and not expected to have a material impact on the entity in the current or future reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.2 Investments accounted for using the equity method

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.2 Investments accounted for using the equity method (Continued)

Equity method (Continued)

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.11.

2.2.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions of the Group.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

When there is a change of use from an investment property to an owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10-60 years
Office equipment	5-10 years
Transportation equipment	4-10 years
Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

Construction in progress

Construction in progress represents property under construction and is stated at cost less accumulated impairment loss, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction, if any. No provision for depreciation is made on construction in progress until such times as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment property

Investment property, principally comprising land use rights and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded as "other gains, net" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.8 Investment property (Continued)

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in and its fair value in as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

- (i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in the consolidated income statement.
- (ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generation units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and licences

Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 5 to 20 years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method over the expected life of 6–10 years for the customer relationships.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets (Continued)

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

(e) Operating concessions

Operating concessions are capitalised on the basis of the costs incurred to build and operating water waste treatment plants and refuse-burning power plant. These costs are amortised over their estimated useful lives of 3 to 28 years.

2.10 Service concession arrangements

(a) Service concession arrangements under financial asset model

A financial asset (receivables under a service concession arrangement) is recognized to the extent that the Group has an unconditional right to receive cash or another financial asset from the grantor for the construction services rendered. This right arises where the grantor has little or no discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group specified or determinable amounts or the shortfall, if any, between amounts received from the users of the public service and the specified or determinable amounts. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for financial assets measured at amortized cost.

During the construction periods, the Group recognizes a contract asset and accounts for the significant financing component in the arrangement. When the construction services are completed, the contract asset would be classified and measured as receivables under a service concession arrangement accordingly. The considerations for construction obligations performed will be accounted for as non-current assets during the construction period, except for the portion that are expected to be settled in the following year of operation period which will be reclassified as current contract assets.

When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the financial asset (if any), which will be used to reduce the carrying amount of financial receivables on the consolidated balance sheet, (ii) interest income, will be recognized as revenue in profit or loss and (iii) revenue from infrastructure operation service in the profit or loss. Revenue from operating service is calculated based on cost plus a profit margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.10 Service concession arrangements (Continued)

(b) Service concession arrangements under intangible asset model

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses and service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for “intangible assets” in note 2.9 above, which is amortised on a straight-line basis over the Service Concession Period.

(c) Construction services

The fair value of the construction service under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are valued by management of the Group, based on prevailing market rate applicable to similar construction services rendered in similar location at date of agreement.

2.11 Impairment of non-financial assets

Goodwill that has an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (the “FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in other gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated income statement and presented net within other gains, net in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

2.14 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- The amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.14 Financial guarantee contracts (Continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.15 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.16 Inventories

Raw materials

Raw materials are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.17 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 16 for further information about the Group's accounting for trade and other receivables and note 3.1(c) for a description of the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Perpetual Capital Securities

Perpetual Capital Securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity, as described in note 23.

2.21 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.22 Borrowings (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax and land appreciation tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.23 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.24 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(c) Equity-settled share-based payment transactions (Continued)

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, if any, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made with the Group companies. The Group recognises revenue of each activities as described below.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the purchaser;
- creates and enhances an asset that the purchaser controls as the Group performs;
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(a) Sales of properties (Continued)

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(b) Property management services and value-added services

Revenue from property management services (including property management services under commission basis or lump sum basis) and value-added services (including pre-delivery services, household assistance services, property agency services and other services) is recognised when services are rendered.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group entitles to revenue at the value of property management services fee received or receivable by the properties and recognises all related property management costs as its cost of services. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner and is arranging and monitoring the services as provided by other suppliers to the property owners, the Group entitles revenue at a pre-determined percentage of the property management fee received or receivable by the properties.

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary are recognised in the accounting period in which the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(d) Rental income

Rental income from investment properties under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of lease.

(e) Interest income

Interest income from financial assets at FVPL is included in the fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in "other income".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(f) Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in the consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

(g) Environmental protection income

Revenue arising from environmental protection is recognised in the accounting period in which environmental protection services are rendered.

(h) Construction income

Revenue from construction contracts satisfies the performance obligation over time, for the performance of construction contracts creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group recognizes revenue over time by reference to the progress towards complete satisfaction of that performance obligation. For the contracts being able to obtain direct measurement of the value or units delivered of work performed, the customers will provide a final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual construction quantity until the day of completion. For other contracts measuring completion progress based on the Group's efforts or inputs to the satisfaction of the performance obligation, the Group calculated the cost allocation based on specific contracts. (note 2.10)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(i) Design service and project management service income

Revenue from design service and project management services is recognised progressively over time based on direct measurements of the value of services delivered or surveys of work performed.

(j) Financing components

Except for the significant financing component under the service concession arrangements and certain construction contracts, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.27 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group leases various land use rights, offices, transportation equipment and other equipment. Rental contracts are typically made for fixed periods of 3 months to 28 years. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise staff dormitory and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.29 Insurance contracts

An insurance contract is a contract under which one party (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.31 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.31 Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC. The Group finances its operations from shareholders' fund, sales of properties, issuance of senior notes, bank and other borrowings and perpetual capital securities. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Currency risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, financial assets at FVPL, senior notes, bank borrowings and syndicated loans are in other currencies. As at 31 December 2020, major non-RMB assets and liabilities are cash and cash equivalents, senior notes, bank borrowings and syndicated loans denominated in HK dollar ("HK\$"), US dollar ("US\$") and Macao Pataca ("MOP"). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has entered into several forward exchange contracts to limit its exposure to foreign exchange risk during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group 2020	2019
Monetary assets		
— HK\$	2,094,550	3,202,132
— US\$	1,537,627	4,059,171
	3,632,177	7,261,303
Monetary liabilities		
— HK\$	18,837,369	21,999,374
— US\$	25,003,606	19,220,080
— MOP	1,493,695	1,599,195
	45,334,670	42,818,649

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/(decrease) in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	Group 2020	2019
5% increase in RMB against HK\$	838,857	940,720
5% decrease in RMB against HK\$	(838,857)	(940,720)
5% increase in RMB against US\$	1,177,040	761,140
5% decrease in RMB against US\$	(1,177,040)	(761,140)
5% increase in RMB against MOP	74,685	79,960
5% decrease in RMB against MOP	(74,685)	(79,960)

(b) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings with variable rates expose the Group to cash flow interest-rate risk. Borrowings with fixed rate, mainly included senior notes, bonds and other borrowings, expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Interest rate risk (Continued)

As at 31 December 2020 and 2019, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2020 and 2019 would increase or decrease by RMB504,026,000 and RMB502,957,000 respectively, mainly as a result of higher or lower interest expense on floating rate borrowings.

(c) Credit risk

The Group is exposed to credit risk in relation to its contract asset, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents, financial guarantees provided to related companies and guarantees on mortgage facilities represent the Group's maximum exposure to credit risk in relation to financial assets.

For contract assets and trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counter parties.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

- (i) *A summary of the assumptions underpinning the Group's expected credit loss model is as follows:*

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

- (ii) *Contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes)*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables. To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

- (ii) *Contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes) (Continued)*

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

Trade and other receivables and contract assets have been assessed for impairment on a collective basis based on different credit risk characteristics. The cost and loss allowance provision for trade receivables and contract assets are categorised as follows for assessment purpose:

Individual: Trade receivables with known insolvencies
Collective: Other trade receivables and contract assets

	2020		2019	
	Cost	Loss allowance	Cost	Loss allowance
Individual:				
— trade receivables with known insolvencies	152,754	(152,754)	—	—
Collective:				
— other trade receivables	11,655,692	(289,250)	7,802,037	(73,440)
— contract assets	3,206,231	(1,634)	1,380,727	(1,171)
	15,014,677	(443,638)	9,182,764	(74,611)

As at 31 December 2020, the Group has assessed that the expected loss rate for other receivables from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no significant increase of loss allowance provision for other receivables from related parties was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

- (ii) *Contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes) (Continued)*

The Group uses the expected credit loss model to determine the expected loss provision for other receivables (excluding prepayments and prepaid value added taxes). As at 31 December 2020, the Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

On that basis, as at 31 December 2020, the loss allowance provision for the trade receivables and contract assets under collective basis was determined as follow. The expected credit losses below also incorporated forward looking information.

	Current	Up to 3 months	3 months to 1 year	1 to 2 years	Over 2 years	Total
At 31 December 2020						
Expected loss rate	–	0.10%–5%	1%–7%	5%–26%	10%–70%	–
Gross carrying amount — trade receivables (under collective basis)	5,446,645	1,780,485	3,196,546	733,820	498,196	11,655,692
Gross carrying amount — contract assets	2,932,113	145,119	128,999	–	–	3,206,231
Loss allowance — trade receivables	–	34,430	76,984	92,950	84,886	289,250
Loss allowance — contract assets	–	87	1,547	–	–	1,634
At 31 December 2019						
Expected loss rate	–	0.10%–1%	1%–2%	5%–10%	10%–50%	–
Gross carrying amount — trade receivables	5,024,488	1,642,589	725,843	253,731	155,386	7,802,037
Gross carrying amount — contract assets	1,262,681	62,494	55,552	–	–	1,380,727
Loss allowance — trade receivables	–	7,721	13,563	18,183	33,973	73,440
Loss allowance — contract assets	–	62	1,109	–	–	1,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

- (ii) *Contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes) (Continued)*

As at 31 December 2020 the loss allowance provision for trade and other receivables (excluding prepayments and prepaid value added taxes) reconciles to the opening loss allowance for that provision as follows:

	Contract assets and trade receivables	Other receivables (excluding prepayments and prepaid value added taxes)	Total
At 1 January 2020	74,611	218,579	293,190
Impact of acquisition of subsidiaries	28,821	11,520	40,341
Provision for loss allowance recognised in profit or loss	367,128	232,391	599,519
Unused amounts reversed	(26,922)	(5,918)	(32,840)
At 31 December 2020	443,638	456,572	900,210

As at 31 December 2020, the gross carrying amount of contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes) was RMB33,539,469,000 and thus the maximum exposure to loss was RMB32,639,259,000. During the year ended 31 December 2020, the Group provided certain guarantees to certain third parties in respect of their loan facilities. As at 31 December 2020, save for the amounts disclosed in Note 41, there was no other outstanding guarantee.

(d) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing etc. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities maturity profile and derivative financial instruments at the balance sheet date. The amounts disclosed thereon are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2020					
Non-derivatives					
Borrowings	41,542,465	32,507,477	28,624,658	4,822,506	107,497,106
Trade and other payables (*)	60,663,616	3,181,454	1,102,998	—	64,948,068
Lease liabilities	255,683	233,284	186,236	35,765	710,968
Total non-derivatives	102,461,764	35,922,215	29,913,892	4,858,271	173,156,142
Derivatives					
Gross settled (forward foreign exchange contracts)					
— (inflow)	(246,883)	(119,473)	—	—	(366,356)
— outflow	1,231,764	145,475	—	—	1,377,239
	984,881	26,002	—	—	1,010,883
At 31 December 2019					
Non-derivatives					
Borrowings	46,897,886	31,348,066	24,681,720	4,800,165	107,727,837
Trade and other payables (*)	45,838,189	2,201,976	—	—	48,040,165
Lease liabilities	195,529	150,060	283,770	46,601	675,960
Total non-derivatives	92,931,604	33,700,102	24,965,490	4,846,766	156,443,962
Derivatives					
Gross settled (forward foreign exchange contracts)					
— (inflow)	(52,862)	(3,418)	—	—	(56,280)
— outflow	106,546	16,074	—	—	122,620
	53,684	12,656	—	—	66,340

* Excluding staff welfare benefit payable, other taxes payable and advance from disposal of equity interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(e) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVPL.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity

The table below summarises the impact of increases/(decreases) of price of the stocks, which the Group purchased, on the Group's post-tax profit for the period. The analysis is based on that the stock price increased by 5% and 10% respectively or decreased by 5% and 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	Impact on post-tax profit	
	2020	2019
Price of each stock — increase by 5%	8,274	9,085
Price of each stock — decrease by 5%	(8,274)	(9,085)
Price of each stock — increase by 10%	16,548	18,170
Price of each stock — decrease by 10%	(16,548)	(18,170)

Post-tax profit for the year would increase/(decrease) as a result of gains/(losses) on equity securities classified as financial assets at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any returns to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

	2020	2019
Total borrowings (note 24)	97,812,766	96,669,702
Less: cash and cash equivalents (note 19)	(41,925,908)	(33,551,303)
restricted cash (note 18)	(8,938,792)	(9,003,578)
Net borrowings	46,948,066	54,114,821
Total equity	76,969,722	65,336,476
Gearing ratio	61.0%	82.8%

The decrease in the gearing ratio during the year ended 31 December 2020 was primarily resulted from the increase in cash and cash equivalents and total equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation

(a) Fair value hierarchy

At 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
— Hong Kong listed equity securities and debt instruments	165,476	—	—	165,476
— Unlisted equity securities	—	—	354,951	354,951
— Wealth management products	—	—	635,923	635,923
— Others	—	—	91,469	91,469
Financial assets at FVOCI				
— Hong Kong listed equity securities	462,017	—	—	462,017
— Unlisted equity securities	—	—	48,622	48,622
Total financial assets	627,493	—	1,130,965	1,758,458
Financial liabilities				
Financial liabilities at FVPL				
— Derivative financial instruments	—	1,010,883	—	1,010,883
— Put options	—	—	94,775	94,775
Total financial liabilities	—	1,010,883	94,775	1,105,658
At 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
— Hong Kong listed equity securities and debt instruments	181,691	—	—	181,691
— Unlisted equity securities	—	—	326,084	326,084
— Wealth management products	—	—	430,083	430,083
— Others	—	—	70,173	70,173
Financial assets at FVOCI				
— Hong Kong listed equity securities	262,036	—	—	262,036
Total financial assets	443,727	—	826,340	1,270,067
Financial liabilities				
Financial liabilities at FVPL				
— Derivative financial instruments	—	66,340	—	66,340
— Put options	—	—	70,436	70,436
Total financial liabilities	—	66,340	70,436	136,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2020.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 1 and 2 except for unlisted equity securities and wealth management products explained in (c) below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the years ended 31 December 2020 and 2019:

	Financial assets	Financial liabilities
Balance as at 31 December 2019	826,340	(70,436)
Additions	20,816,753	–
Gains recognised in other gains, net	58,812	(8,214)
Gains recognised in other comprehensive income	1,241	–
Finance costs	–	(16,125)
Disposal	(700)	–
Addition through business combinations (note 40)	266,852	–
Addition through Acquisition of associates	2,390	–
Redemption of wealth management products	(20,840,723)	–
Balance as at 31 December 2020	1,130,965	(94,775)
	Financial assets	Financial liabilities
Balance as at 31 December 2018	479,721	–
Additions	35,215,944	(62,179)
Gains recognised in other gains, net	98,664	–
Finance costs	–	(8,257)
Disposal	(139,188)	–
Addition through business combinations	16,411	–
Redemption of wealth management products	(34,845,212)	–
Balance as at 31 December 2019	826,340	(70,436)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (Continued)

Valuation processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments included the unlisted equity securities and wealth management products and others (note 17). As the investments are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using capital asset pricing models to calculate the pre-tax rates that reflect current market assessments of the time values of money and the risk specific to the assets.
- Earnings growth factor for unlisted equity securities and wealth management products: these are estimated based on market information for similar types of companies and products.
- Expected cash inflows: these are estimated based on the terms of the sale contracts, the entity's knowledge of the business and how the current economic environment is likely to impact them.

(d) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable and payable is either close to current market rates or the instruments are short-term in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2020, a provision for completed properties held for sale of RMB697,314,000 (2019: RMB706,290,000), a provision for properties under development of RMB1,363,526,000 (2019: RMB1,561,682,000) and a provision for long-term asset held for hotel operation of RMB9,511,000 were made (31 December 2019: RMB154,376,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(b) Fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and
- (iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 7.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2.9 and 2.11, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in note 9.

As at 31 December 2020, a impairment for goodwill of RMB723,802,000 (note 9) were made (31 December 2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(d) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

(f) Recoverability of contract assets and trade and other receivables

The management assesses on a forward looking basis the expected credit losses associated with its contract assets and trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The allowance are applied to these contract assets and receivables where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and impairment charge in the periods in which such estimate has been changed.

As at 31 December 2020, the provision for impairment of contract asset and trade and other receivables is RMB900,210,000 (31 December 2019: RMB293,190,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(g) Estimation of the amount payable under residual value guarantees

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

5 Segment information

(a) Description of segments and principal activities

The executive directors of the Company, which are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into four business segments: property development, property management, commercial management and environmental protection. The associates and joint ventures of the Group are principally engaged in property development, property management and environmental protection and are included in the property development, property management and environmental protection segment respectively. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC. Most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Analysis of revenue from external customers by the category for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
Sales of developed properties	69,547,382	54,177,160
Property management services	7,852,687	3,577,311
Commercial management	555,980	974,372
Environmental protection services	2,289,203	1,510,254
	80,245,252	60,239,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (Continued)

Segment information provided to the executive directors of the Company for the reporting segments for the years ended 31 December 2020 and 2019 are as follows:

Year ended 31 December 2020

	Property development (note (c))	Property management (note (d))	Commercial management	Environmental protection	Group
Gross segment sales	69,547,382	10,026,147	555,980	2,289,203	82,418,712
Inter-segment sales	–	(2,173,460)	–	–	(2,173,460)
Sales to external customers	69,547,382	7,852,687	555,980	2,289,203	80,245,252
Timing of revenue recognition					
— At a point in time	63,478,904	123,478	–	647,718	64,250,100
— Over time	6,068,478	7,729,209	555,980	1,641,485	15,995,152
Fair value gains on investment properties (note 7)	–	–	196,906	–	196,906
Operating profit/(loss)	19,234,425	1,841,720	244,456	(394,093)	20,926,508
Share of post-tax profits of investments accounted for using the equity method (note 10)	1,520,383	62,261	–	2,986	1,585,630
Segment result	20,754,808	1,903,981	244,456	(391,107)	22,512,138
Finance costs, net (note 34)					(1,040,210)
Profit before income tax					21,471,928
Income tax expenses (note 35)					(9,223,051)
Profit for the year					12,248,877
Depreciation	390,370	66,257	270,343	213,101	940,071
Amortisation	161,134	115,088	763	95,572	372,557
Write-down of properties under development, completed properties held for sale and property, plant and equipment	423,124	–	9,511	32,727	465,362
Impairment of goodwill	–	–	–	723,802	723,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (Continued)

Year ended 31 December 2019

	Property development (note (c))	Property management (note (d))	Commercial management	Environmental protection	Group
Gross segment sales	54,177,160	5,127,293	974,372	1,510,254	61,789,079
Inter-segment sales	–	(1,549,982)	–	–	(1,549,982)
Sales to external customers	54,177,160	3,577,311	974,372	1,510,254	60,239,097
Timing of revenue recognition					
— At a point in time	50,808,866	11,179	–	33,406	50,853,451
— Over time	3,368,294	3,566,132	974,372	1,476,848	9,385,646
Fair value gains on investment properties (note 7)	–	–	117,070	–	117,070
Operating profit/(loss)	16,491,288	1,385,038	(171,357)	334,783	18,039,752
Share of post-tax profits of investments accounted for using the equity method (note 10)	1,053,637	22,635	–	9,974	1,086,246
Segment result	17,544,925	1,407,673	(171,357)	344,757	19,125,998
Finance costs, net (note 34)					(2,529,824)
Profit before income tax					16,596,174
Income tax expenses (note 35)					(7,362,928)
Profit for the year					9,233,246
Depreciation	336,392	37,899	306,130	90,340	770,761
Amortisation	12,294	48,433	880	33,998	95,605
Write-down of properties under development, completed properties held for sale and property, plant and equipment	325,505	–	154,376	–	479,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (Continued)

Segment assets and liabilities and capital expenditure as at 31 December 2020 are as follow:

	Property development (note (c))	Property management (note (d))	Commercial management	Environmental protection	Elimination	Group
Segment assets	259,712,640	13,651,068	18,813,021	17,586,114	(4,504,187)	305,258,656
Unallocated assets						8,506,402
Total assets						313,765,058
Segment assets include: Investments accounted for using the equity method (note 10)	16,863,326	1,102,792	–	213,037	–	18,179,155
Segment liabilities	100,480,715	4,710,237	4,066,954	11,778,715	(4,504,187)	116,532,434
Unallocated liabilities						120,262,902
Total liabilities						236,795,336
Capital expenditure	609,384	902,356	7,308	4,475,499	–	5,994,547

Segment assets and liabilities and capital expenditure as at 31 December 2019 are as follow:

	Property development (note (c))	Property management (note (d))	Commercial management	Environmental protection	Elimination	Group
Segment assets	224,299,039	8,618,143	19,971,275	17,433,296	(5,788,236)	264,533,517
Unallocated assets						8,698,308
Total assets						273,231,825
Segment assets include: Investments accounted for using the equity method (note 10)	13,907,604	583,634	–	219,951	–	14,711,189
Segment liabilities	75,791,172	2,479,562	4,076,883	13,787,002	(5,788,236)	90,346,383
Unallocated liabilities						117,548,966
Total liabilities						207,895,349
Capital expenditure	1,007,291	718,523	420,580	4,218,372	–	6,364,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (Continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2020 as follows:

	Assets	Liabilities
Segment assets/liabilities	305,258,656	116,532,434
Unallocated:		
Deferred income taxes	1,392,281	4,087,131
Prepaid income taxes	5,355,663	–
Financial assets at FVPL	1,247,819	–
Financial asset at FVOCI	510,639	–
Financial liabilities at FVPL	–	1,105,658
Current income tax liabilities	–	17,257,347
Current borrowings	–	39,449,018
Non-current borrowings	–	58,363,748
Total	313,765,058	236,795,336

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2019 as follows:

	Assets	Liabilities
Segment assets/liabilities	264,533,517	90,346,383
Unallocated:		
Deferred income taxes	1,350,770	3,179,780
Prepaid income taxes	6,077,471	–
Financial assets at FVPL	1,008,031	–
Financial assets at FVOCI	262,036	–
Financial liabilities at FVPL	–	136,776
Current income tax liabilities	–	17,562,708
Current borrowings	–	42,297,082
Non-current borrowings	–	54,372,620
Total	273,231,825	207,895,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December 2020	As at 31 December 2019
Contract assets relating to properties sale contracts	221,415	583,676
Contract assets relating to construction contracts	2,984,816	797,051
Loss allowance	(1,634)	(1,171)
Total contract assets	3,204,597	1,379,556

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, properties under development, completed properties held for sale, investment properties, receivables, contract assets and cash balances. Unallocated assets comprise deferred income tax assets, prepaid income taxes, financial assets at FVOCI and financial assets at FVPL. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings and financial liabilities at FVPL.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets.

(c) Property development segment mainly comprises the business units involved in development and sales of properties, provision of property construction services and provision of real estate construction management services.

(d) Property management segment mainly comprises the business units involved in property management business operated by A-Living Smart City Services Co., Ltd.

(e) Assets recognised from incremental costs to obtain a contract

During the year ended 31 December 2020, there was no significant incremental costs to obtain a contract (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
At 31 December 2018						
Cost	7,659,764	403,640	186,691	327,396	2,682,558	11,260,049
Accumulated depreciation	(2,079,440)	(158,340)	(119,196)	(149,546)	–	(2,506,522)
Net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
Year ended 31 December 2019						
Opening net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
Additions	96,096	28,731	71,997	108,534	1,607,965	1,913,323
Acquisition of subsidiaries	481,829	22,344	7,848	299,252	1,065,535	1,876,808
Transfer from completed construction projects	486,338	–	449	120,429	(607,216)	–
Transfer from investment properties (note 7)	420,000	–	–	–	–	420,000
Transfer to properties under development	(25,783)	–	–	–	–	(25,783)
Transfer to assets held for sale	–	–	–	–	(276,021)	(276,021)
Disposals	(23,856)	(205,091)	(2,765)	(3,806)	(893)	(236,411)
Depreciation	(463,126)	(21,304)	(31,276)	(53,405)	–	(569,111)
Impairment loss	(154,376)	–	–	–	–	(154,376)
Closing net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956
At 31 December 2019						
Cost	9,114,760	234,779	259,237	868,112	4,471,928	14,948,816
Accumulated depreciation	(2,562,938)	(164,799)	(145,489)	(219,258)	–	(3,092,484)
Impairment loss	(154,376)	–	–	–	–	(154,376)
Net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956
Year ended 31 December 2020						
Opening net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956
Additions	84,794	58,293	8,653	125,178	2,477,340	2,754,258
Revaluation surplus	7,534	–	–	–	–	7,534
Acquisition of subsidiaries (note 40)	49,386	47,276	9,540	14,449	30,702	151,353
Transfer from completed construction projects	1,491,521	–	–	480,071	(1,971,592)	–
Transfer from investment properties (note 7)	25,000	–	–	–	–	25,000
Transfer to investment properties (note 7)	(1,546,331)	–	–	–	(295,414)	(1,841,745)
Disposals	(64,318)	(8,368)	(2,880)	(14,557)	–	(90,123)
Depreciation	(479,339)	(46,778)	(35,738)	(96,024)	–	(657,879)
Reversal of impairment loss	72,731	–	–	–	–	72,731
Impairment loss	(9,511)	–	–	–	(32,727)	(42,238)
Closing net book amount	6,028,913	120,403	93,323	1,157,971	4,680,237	12,080,847
At 31 December 2020						
Cost	7,784,861	316,479	256,218	1,457,406	4,712,964	14,527,928
Accumulated depreciation	(1,755,948)	(196,076)	(162,895)	(299,435)	–	(2,414,354)
Impairment loss	–	–	–	–	(32,727)	(32,727)
Net book amount	6,028,913	120,403	93,323	1,157,971	4,680,237	12,080,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment (Continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	2020	2019
Cost of sales	368,582	343,614
Selling and marketing costs	41,952	38,901
Administrative expenses	247,345	186,596
	657,879	569,111

Notes:

- (a) As at 31 December 2020, buildings of RMB3,758,386,000 (31 December 2019: RMB2,347,883,000) were pledged as collateral for the Group's borrowings (note 24).
- (b) During the year ended 31 December 2020, the Group has capitalised borrowing costs amounting to RMB247,800,000 (2019: RMB128,196,000) on property, plant and equipment.
- (c) During the year ended 31 December 2020, several hotel buildings of RMB1,841,745,000 and relevant land use rights of RMB88,255,000 were transferred to investment property on the inception of operating lease. After reversing the previous impairment loss of certain hotel buildings of RMB72,731,000, a revaluation surplus of RMB7,534,000 on the date transferred has arisen, among which the corresponding revaluation surplus net of tax of RMB5,651,000 were recorded in other comprehensive income and deferred tax liabilities of RMB1,883,000 were recorded in the consolidated balance sheet respectively.
- (d) Buildings mainly represent the office buildings and hotel buildings. Constructions in progress mainly represent construction costs and other costs incurred for the construction of environmental factories and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties

	2020	2019
Opening net book amount	8,495,950	8,804,220
Capitalised subsequent expenditure	–	52,430
Transfer from completed properties held for sale (note (h))	284,593	–
Transfer from property, plant and equipment (note 6(c))	1,841,745	–
Transfer from land use rights	88,255	–
Transfer to property, plant and equipment (note (i))	(25,000)	(420,000)
Revaluation gains recognised in the consolidated income statement (note 29)	196,906	117,070
Disposals	(33,000)	(57,770)
Closing net book amount	10,849,449	8,495,950
Investment properties:		
— Completed investment properties	9,542,549	7,205,050
— Investment properties under construction	1,306,900	1,290,900
	10,849,449	8,495,950

Notes:

- (a) The investment properties are located in the PRC and are held on lease of between 40 to 70 years.
- (b) Amounts recognised in the consolidated income statement for investment properties:

	2020	2019
Rental income	209,924	172,630
Direct operating expenses of investment properties that generated rental income	(100,041)	(91,954)
Direct operating expenses of investment properties that did not generate rental income	(19,801)	(17,690)
	90,082	62,986

As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2019: nil).

- (c) Fair value hierarchy

As at 31 December 2020 and 2019, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (Continued)

(d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 by independent professionally qualified valuers, including Vigers Appraisal & Consulting Limited, Colliers International Limited and Worldunion Appraisal Co. Ltd, who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the executive directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Valuation techniques

Fair values of completed commercial properties and commercial properties under development are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers, view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (Continued)

(e) Valuation techniques

	Description	Location	Fair value as at 31 December 2020	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office, hotel and retail shop	PRC	9,293,349	Income capitalisation	Term yields Reversionary yields Market rents (RMB/square meter/month)	4% 4%–7% 21–998
	Car park	PRC	249,200	Direct comparison method	Market price (RMB/square meter)	3,327–8,407
Investment properties under construction	Retail shop	PRC	1,306,900	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/square meter/month)	41–201
					Reversionary yields	5%
					Discount rate	6%
	Description	Location	Fair value as at 31 December 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	6,955,850	Income capitalisation	Term yields Reversionary yields Market rents (RMB/square meter/month)	4% 4%–7% 30–998
	Car park	PRC	249,200	Direct comparison method	Market price (RMB/square meter)	3,327–8,407
Investment properties under construction	Retail shop	PRC	1,290,900	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/square meter/month)	41–199
					Reversionary yields	5%
					Discount rate	6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (Continued)

(e) Valuation techniques (Continued)

There are inter-relationships between unobservable inputs.

For office, hotel and retail shop, increase in term yields and reversionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

For investment properties under construction, increase in budgeted construction costs to be incurred may result in decrease in fair value. Increase in reversionary yields and discount rate may result in decrease of fair value. Increase in market rent may result in increase of fair value.

There are no changes to the valuation technique during the year ended 31 December 2020.

(f) Investment properties pledged as security

As at 31 December 2020, investment properties of RMB5,436,175,000 (31 December 2019: RMB5,388,000,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings (note 24).

(g) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 43.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 19 years.

(h) During the year ended 31 December 2020, certain retail shops were transferred from the completed properties held for sale to investment properties (2019: nil).

(i) During the year ended 31 December 2020 and 2019, certain floor areas of office buildings were transferred from investment properties to property, plant and equipment as the Group started to occupy such areas as office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

8 Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

	31 December 2020	31 December 2019
Right-of-use assets		
Land use rights (note (i))	2,640,079	2,411,264
Property, plant and equipment	736,225	665,945
	3,376,304	3,077,209
Lease liabilities		
Current	244,011	182,411
Non-current	392,927	390,326
	636,938	572,737

Notes:

- (i) The Group has land lease arrangement with mainland China government. Such land use rights are held for self use.
- (ii) Additions to the right-of-use assets during the year end 31 December 2020 were RMB697,607,000 (2019: RMB1,107,398,000).
- (iii) As at 31 December 2020, land use rights of RMB3,602,128,000 (31 December 2019: RMB1,299,379,000) were pledged as collateral for the Group's borrowings (note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

8 Lease (Continued)

(b) Amount recognised in the consolidated income statement.

The consolidated income statement shows the following amounts relating to leases.

	2020	2019
Depreciation charge of right-of-use assets		
Land use rights	67,745	66,580
Buildings and equipment	214,298	135,057
Others	149	13
	282,192	201,650
Interest expense (included in finance cost) (note 34)	39,426	37,006
Expense relating to short-term leases and leases of low-value assets (included in cost of goods sold and administrative expenses) (note 32)	156,442	48,020

The total cash outflow for leases during the year ended 31 December 2020 was RMB431,335,000 (2019: RMB333,497,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various land use rights, offices, transportation equipment and other equipment. Rental contracts are typically made for fixed periods of 3 months to 70 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes except for those with land use right certification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

9 Intangible assets

	Other intangible assets				Subtotal	Goodwill (note b)	Total
	Computer software	Trademarks and licences	Operating concessions	Customer relationship			
At 31 December 2018							
Cost	153,417	70,081	–	143,860	367,358	1,841,613	2,208,971
Accumulated amortisation	(80,821)	(6,093)	–	(21,454)	(108,368)	–	(108,368)
Net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
Year ended 31 December 2019							
Opening net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
Additions	14,586	–	360,230	–	374,816	–	374,816
Acquisition of subsidiaries (note(c))	8,663	59,825	625,266	346,237	1,039,991	2,055,442	3,095,433
Amortisation charge (note(a))	(15,794)	(15,834)	(13,465)	(50,512)	(95,605)	–	(95,605)
Closing net book amount	80,051	107,979	972,031	418,131	1,578,192	3,897,055	5,475,247
At 31 December 2019							
Cost	176,666	129,906	985,496	490,097	1,782,165	3,897,055	5,679,220
Accumulated amortisation	(96,615)	(21,927)	(13,465)	(71,966)	(203,973)	–	(203,973)
Net book amount	80,051	107,979	972,031	418,131	1,578,192	3,897,055	5,475,247
Year ended 31 December 2020							
Opening net book amount	80,051	107,979	972,031	418,131	1,578,192	3,897,055	5,475,247
Additions	19,418	–	432,167	47,589	499,174	–	499,174
Acquisition of subsidiaries (note(c), note 40)	20,926	–	1,169,410	701,819	1,892,155	1,109,714	3,007,165
Amortisation charge (note(a))	(22,011)	(18,793)	(184,606)	(147,147)	(372,557)	–	(372,557)
Disposal	(220)	–	–	(20,394)	(20,614)	(18,353)	(38,967)
Impairment charge (note(d))	–	–	–	–	–	(723,802)	(723,802)
Closing net book amount	98,164	89,186	2,389,002	999,998	3,576,350	4,264,614	7,846,260
At 31 December 2020							
Cost	217,075	129,906	2,587,073	1,246,061	4,180,115	4,988,416	9,173,827
Accumulated amortisation	(118,911)	(40,720)	(198,071)	(246,063)	(603,765)	–	(603,765)
Impairment loss	–	–	–	–	–	(723,802)	(723,802)
Net book amount	98,164	89,186	2,389,002	999,998	3,576,350	4,264,614	7,846,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

9 Intangible assets (Continued)

Notes:

- (a) Amortisation expenses were charged to the following categories in the consolidated income statement:

	2020	2019
Cost of sales	342,511	75,457
Selling and marketing costs	989	628
Administrative expenses	29,057	19,520
	372,557	95,605

- (b) The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill as at 31 December 2020 was comprised of the followings:

	2020	2019
Goodwill arising from acquisition of property management companies	2,181,967	1,370,927
Goodwill arising from acquisition of environmental protection companies	1,846,756	2,366,306
Goodwill arising from acquisition of construction companies	235,891	159,822
	4,264,614	3,897,055

- (c) Intangible assets through acquisition of subsidiaries

An independent valuation was performed by independent valuers to determine the amount of the trademarks and licences, customer relationship and operating concessions. Methods and key assumptions in determining the fair value of trademarks, customer relationship and operating concessions as at acquisition date are disclosed as follows:

	Valuation technique	Discount rate	Expected life of the intangible assets as at 31 December 2020
Trademarks and licences	Discounted cash flow	16.6–19.8%	5–20 years
Customer relationship	Discounted cash flow	16.0–19.8%	5–10 years
Operating concessions	Discounted cash flow	11.0–12.0%	3–28 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

9 Intangible assets (Continued)

Notes: (Continued)

(d) Impairment test for goodwill

The Group performed an impairment assessment on the goodwill as at 31 December 2020. The recoverable amount of the property management, environmental protection and construction businesses operated by the acquired subsidiaries have been assessed by independent valuers or the management and determined based on value-in-use calculations. The calculations used cash flow projections based on financial budgets covering a five-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2020 and 2019:

	Property management companies	Environmental protection companies	Construction companies
As at 31 December 2020			
Compound annual growth rate of revenue during the projection period	2%–41%	0%–33%	5%–22%
EBITDA margin during the projection period	8%–21%	21%–82%	9%–21%
Long term growth rate	3%	0%	3%
Pre-tax discount rate	19%–22%	11%–13%	18%–21%
As at 31 December 2019			
Compound annual growth rate of revenue during the projection period	3%–41%	3%–77%	3%–17%
EBITDA margin during the projection period	9%–20%	9%–87%	8%–21%
Long term growth rate	3%	3%	3%
Pre-tax discount rate	20%–23%	18%	17%–25%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Compound annual growth rate of revenue	Based on past performance and management's expectations of market development. For Greenland Property Services, year-on-year increment in projected revenue is mainly attributable to the estimated incremental gross floor area committed by Greenland Holdings according to the investment cooperation framework agreement.
EBITDA margin	Based on past performance and management's expectations for the future.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.
Pre-tax discount rate	Reflect specific risks relating to the relevant cash-generating units

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

9 Intangible assets (Continued)

Notes: (Continued)

(d) Impairment test for goodwill (Continued)

(i) Property management companies

As at 31 December 2020, goodwill of RMB2,181,967,000 (31 December 2019: RMB1,370,928,000) has been allocated to each cash-generating units of the CGUs acquired for impairment testing. Goodwill of RMB918,967,000 and RMB757,271,000 (31 December 2019: RMB918,967,000 and nil) was allocated to the property management business operated by Greenland Property Services and CMIG PM, respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations for Greenland and CMIG PM that would remove the remaining headroom respectively as at 31 December 2020:

	Possible changes to the key assumptions	
	CMIG PM	Greenland Property Services
Compound annual growth rate of revenue	-3.57%	-5.28%
EBITDA margin	-1.07%	-1.86%
Average trade receivables turnover days	21 days	34 days
Long term growth rate	-3.11%	-3.20%
Pre-tax discount rate	2.50%	2.33%

Management considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer or the management as at 31 December 2020, the directors of the Company determined that no impairment provision on goodwill arising from acquisition of property management companies was required as at 31 December 2020 (31 December 2019: nil).

(ii) Environmental protection companies

As at 31 December 2020, the recoverable amount of RMB2,901,620,000 of certain acquired companies calculated based on VIU calculation was below their carrying value and amount of RMB723,802,000 was made to impairment of goodwill.

For remaining goodwill arising from acquisition of environmental protection companies, the individual amount is not significant and accordingly, the sensitivity analysis for the unimpaired goodwill is not presented.

By reference to the recoverable amount assessed by the independent valuer or the management as at 31 December 2020, the directors of the Company determined that an impairment provision of RMB723,802,000 on goodwill arising from acquisition of environmental protection companies, was required as at 31 December 2020 (31 December 2019: nil).

(iii) Construction companies

By reference to the recoverable amount assessed by the independent valuer or the management as at 31 December 2020, the directors of the Company determined that no impairment provision on goodwill arising from acquisition of construction companies was required as at 31 December 2020 (31 December 2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

10 Investments accounted for using equity method

The directors of the Group consider that none of the associates and the joint ventures as at 31 December 2020 and 31 December 2019 was significant to the Group and thus the individual financial information of the associates and the joint ventures was not disclosed. The summarised financial information of individually immaterial associates and joint ventures on an aggregate basis is as follows:

The movement of the interests in the associates and the joint ventures during the year is as follows:

	2020	2019
Balance as at 1 January	14,711,189	10,088,353
Additions	2,804,936	2,103,494
Addition through business combination (note 40)	498,373	9,915
Transfer from subsidiaries (note (a) and note 38)	2,018,250	2,706,776
Transfer to subsidiaries (note (b) and note 40)	(2,931,576)	(1,834,305)
Remeasurement gains on the investment in joint ventures (note (b) and note 29)	819,891	579,449
Share of post-tax profits	1,585,630	1,086,246
Disposal (note (c))	(1,082,339)	–
Dividends received	(245,199)	(28,739)
Balance as at 31 December	18,179,155	14,711,189

Notes:

- (a) During the year ended 31 December 2020, the Group disposed of certain equity interests in several subsidiaries to independent third parties at the considerations of RMB1,945,152,000 in aggregate. Upon the completion of the disposal, the subsidiaries became the joint ventures and associates of the Group, recognised according to the fair value of the remaining equity investments held by the Group with the disposal gains recognised in amount of RMB2,425,511,000 (2019: RMB2,988,981,000) (note 29 and note 38).
- (b) During the year ended 31 December 2020, the Group acquired additional equity interests in certain joint ventures from the other independent shareholders of the joint ventures at the considerations of RMB1,697,793,000 in aggregate. Upon the completion of the acquisitions, the joint ventures became the subsidiaries of the Group with remeasurement gains on the investments in joint ventures recognised in an amount of RMB819,891,000 (2019: RMB579,449,000) and transferred to subsidiaries in amount of RMB2,931,576,000 (note 29 and 40).
- (c) During the year ended 31 December 2020, the Group disposed of certain joint ventures and associates to independent third parties at the consideration of RMB1,135,283,000 in aggregate. Upon the completion of the disposals, the Group recognised the disposal gain in amount of RMB226,314,000 (2019: nil) (note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

10 Investments accounted for using equity method (Continued)

As at 31 December 2020, the Group's shares of losses of certain investment companies exceeds its interests in the underlying entities, and the unrecognised share of losses of the associates amounted to RMB186,555,000 (31 December 2019: RMB169,828,000).

The contingent liabilities relating to the Group's investments accounted for using equity method are disclosed in note 41. There is no material commitment relating to the Group's investments accounted for using equity method.

11 Prepayments for acquisition of land use rights

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the consolidated balance sheet when the Group obtains contractual usage rights of the relevant lands.

12 Properties under development

	2020	2019
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	82,148,512	79,622,115
— Beyond one operating cycle included under non-current assets	30,973,623	31,742,993
	113,122,135	111,365,108
Properties under development comprise:		
— Construction costs and capitalised expenditures	23,613,382	22,578,415
— Capitalised interests	6,848,291	6,488,257
— Land use rights	82,660,462	82,298,436
	113,122,135	111,365,108

Most of the Group's properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings is 6.71% for the year ended 31 December 2020 (2019: 7.54%).

As at 31 December 2020, a provision of RMB1,363,526,000 was made to write down the properties under development (31 December 2019: RMB1,561,682,000).

As at 31 December 2020, land use rights included in the properties under development with net book value of RMB34,368,271,000 (31 December 2019: RMB41,031,375,000) were pledged as collateral for the Group's borrowings (note 24).

The amounts of RMB45,423,065,000 as at 31 December 2020 under normal operating cycle classified as current assets were expected to be completed and delivered beyond one year (31 December 2019: RMB47,157,971,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

13 Completed properties held for sale

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2020, a provision of RMB697,314,000 was made to write down the completed properties held for sale (31 December 2019: RMB706,290,000).

As at 31 December 2020, completed properties held for sale of approximately RMB194,511,000 (31 December 2019: RMB116,563,000) were pledged as collateral for the Group's borrowings (note 24).

14 Financial instruments by category

Assets as per consolidated balance sheet

Financial assets	2020	2019
Financial assets at amortised cost		
— Trade and other receivables excluding prepaid value added taxes and other taxes and prepayments	52,772,859	36,665,090
— Restricted cash	8,938,792	9,003,578
— Cash and cash equivalents	41,925,908	33,551,303
Financial assets at FVPL	1,247,819	1,008,031
Financial assets at FVOCI	510,639	262,036
	105,396,017	80,490,038

Liabilities as per consolidated balance sheet

Financial liabilities	2020	2019
Financial liabilities at amortised cost		
— Borrowings	97,812,766	96,669,702
— Trade and other payables (excluding staff welfare benefit payable, other taxes payable and advances from disposal of equity interests)	64,948,068	48,040,165
— Lease liabilities	636,938	572,737
Financial liabilities at FVPL	1,105,658	136,776
	164,503,430	145,419,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

15 Financial assets at fair value through other comprehensive income

Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in financial assets at FVOCI. These are strategic investments and the Group considers this classification to be more relevant.

(a) Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

Non-current assets	2020	2019
Hong Kong listed equity securities	462,017	262,036
Unlisted equity securities	48,622	–
	510,639	262,036

(b) Amounts recognised in other comprehensive income

	2020	2019
Gains recognised in other comprehensive income		
— Related to equity investments	132,304	26,177

	2020	2019
As at beginning of the year	262,036	–
Additions	88,418	235,859
Acquisition of subsidiaries (Note 40)	28,581	–
Gains recognised in other comprehensive income	132,304	26,177
Disposal	(700)	–
As at end of the year	510,639	262,036

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 Trade and other receivables

	2020	2019
Trade receivables (note(a))		
— Third parties	10,252,982	7,211,910
— Joint ventures (note 44(c))	1,518,844	548,298
— Associates (note 44(c))	36,620	41,829
Gross trade receivables	11,808,446	7,802,037
Less: allowance for impairment of trade receivables (note 3.1(c))	(442,004)	(73,440)
Total trade receivables	11,366,442	7,728,597
Other receivables due from:		
— Third parties	17,897,815	12,173,705
— Joint ventures (note 44(c))	14,666,332	9,793,586
— Associates (note 44(c))	619,764	1,284,290
— Other related parties (note 44(c))	493,892	193,728
— Non-controlling interests	1,957,925	1,633,207
Loan and interest receivables due from related parties (note 44(c))	5,390,261	3,232,359
Prepaid value added taxes and other taxes	3,668,692	2,843,320
Deposits for acquisition of land use rights	837,000	844,197
Prepayments	1,088,577	1,033,784
Gross other receivables	46,620,258	33,032,176
Less: allowance for impairment of other receivables (note 3.1(c))	(456,572)	(218,579)
Total other receivables	46,163,686	32,813,597
Less: other receivables — non-current portion	(7,508,793)	(5,182,026)
Other receivables — current portion	38,654,893	27,631,571
Trade and other receivables-current portion	50,021,335	35,360,168

As at 31 December 2020, the fair value of remaining trade and other receivables approximated their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 Trade and other receivables (Continued)

Notes:

- (a) Trade receivables mainly arose from sales of properties, provision of property management services, provision of construction services and provision of environmental protection services. Trade receivables are settled in accordance with the terms stipulated respective in the property sale and purchase agreements or service agreements. As at 31 December 2020 and 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	2020	2019
Within 90 days	7,227,242	4,803,143
Over 90 days and within 365 days	3,225,970	2,283,793
Over 365 days	1,355,234	715,101
	11,808,446	7,802,037

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB442,004,000 was made against the gross amounts of trade receivables (31 December 2019: RMB73,440,000) (note 3.1(c)).

As at 31 December 2020, trade receivables of approximately RMB1,835,110,000 (31 December 2019: RMB1,275,993,000) were pledged as collateral for Group's borrowings (note 24(c, d)).

- (b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

17 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the following:

	2020	2019
Wealth management products	635,923	430,083
Hong Kong listed equity securities and debt instruments	165,476	181,691
Unlisted equity securities	354,951	326,084
Others	91,469	70,173
	1,247,819	1,008,031

Notes:

- (a) Amounts recognised in profit or loss

Decreases in fair values of financial assets at FVPL amounting to RMB4,981,000 are recorded as "other gains, net" (note 29) in the consolidated income statements.

- (b) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 3.1(e). For information about the methods and assumptions used in determining fair value, please refer to note 3.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

18 Restricted cash

As at 31 December 2020 and 2019, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2020 and 2019, restricted cash is mainly comprised of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

19 Cash and cash equivalents

	2020	2019
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	36,802,094	30,055,563
Short-term bank deposits	5,123,814	3,495,740
	41,925,908	33,551,303
Denominated in RMB (note (a))	40,199,996	26,066,124
Denominated in other currencies	1,725,912	7,485,179
	41,925,908	33,551,303

Note:

- (a) The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

20 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at 31 December 2020 and 2019	10,000,000,000	1,000,000			
Issued and fully paid share capital					
As at 31 December 2020 and 2019	3,917,047,500	391,705	400,253	3,021,630	3,421,883

21 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30% and second 30% Awarded Shares lapsed effective from 26 August 2015 and 23 August 2016 respectively. Following the confirmation that relevant vesting conditions have not been satisfied on 20 June 2017, the Board resolved in its meeting held on 28 August 2017 that the award of the remaining 40% Awarded Shares lapsed effective from 28 August 2017. The lapsed shares held in Share Award Scheme will not be cancelled. As at 31 December 2020, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (31 December 2019: RMB156,588,000), which was presented within equity in the consolidated balance sheet. For the year ended 31 December 2020, no expenses in relation to the Share Award Scheme were recognised in the consolidated income statement as the performance condition were not fulfilled and no awarded shares were vested (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

22 Other reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Translation reserve	Others	Total
Balance as at 1 January 2020	442,395	3,904,496	(3,174)	(1,412,450)	2,931,267
Transfer from retained earnings	–	485,174	–	–	485,174
Currency translation difference	–	–	8,534	–	8,534
Revaluation gain on property, plant and equipment, net of tax	–	–	–	5,651	5,651
Changes in the fair value of equity investments at FVOCI, net of tax	–	–	–	109,997	109,997
Acquisition of additional interests in subsidiaries	–	–	–	(208,480)	(208,480)
Other transaction with non-controlling interests	–	–	–	84,370	84,370
Balance as at 31 December 2020	442,395	4,389,670	5,360	(1,420,912)	3,416,513
Balance as at 1 January 2019	442,395	3,150,510	(2,057)	(985,866)	2,604,982
Transfer from retained earnings	–	753,986	–	–	753,986
Currency translation difference	–	–	(1,117)	–	(1,117)
Redemption of Perpetual Capital Securities	–	–	–	(427,512)	(427,512)
Changes in the fair value of equity investments at FVOCI, net of tax	–	–	–	21,857	21,857
Acquisition of additional interests in subsidiaries	–	–	–	41,250	41,250
Put options granted during the acquisition of subsidiaries	–	–	–	(62,179)	(62,179)
Balance as at 31 December 2019	442,395	3,904,496	(3,174)	(1,412,450)	2,931,267

Notes:

- Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on Hong Kong Stock Exchange.
- Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

23 Perpetual Capital Securities

Movement of the Perpetual Capital Securities are as follows:

	Principal	Distribution	Total
Balance as at 1 January 2019	8,057,046	277,829	8,334,875
Issuance of Perpetual Capital Securities	9,677,373	–	9,677,373
Profit attributable to holders of Perpetual Capital Securities	–	850,225	850,225
Distribution made to holders of Perpetual Capital Securities	–	(990,199)	(990,199)
Redemption of Perpetual Capital Securities	(4,305,407)	–	(4,305,407)
Balance as at 31 December 2019	13,429,012	137,855	13,566,867
Balance as at 1 January 2020	13,429,012	137,855	13,566,867
Profit attributable to holders of Perpetual Capital Securities	–	1,083,780	1,083,780
Distribution made to holders of Perpetual Capital Securities	–	(1,013,154)	(1,013,154)
Balance as at 31 December 2020	13,429,012	208,481	13,637,493

On 27 March 2018, the Company issued senior perpetual capital securities (the “2018 Perpetual Capital Securities I”) with the aggregate principal amount of US\$500,000,000. Net proceeds after deducting the issuance cost amounted to US\$491,539,000 (equivalent to approximately RMB3,107,957,000).

On 21 June 2018, the Company issued senior perpetual capital securities (the “2018 Perpetual Capital Securities II”) with the principal amount of US\$100,000,000. Net proceeds after deducting the issuance cost amounted to US\$98,005,000 (equivalent to approximately RMB627,151,000).

On 4 June 2019, the Company issued senior perpetual capital securities (the “2019 Perpetual Capital Securities I”) with the principal amount of US\$700,000,000. Net proceeds after deducting the issuance cost amounted to US\$693,792,000 (equivalent to approximately RMB4,779,956,000).

On 31 October 2019, the Company issued senior perpetual capital securities (the “2019 Perpetual Capital Securities II”) with the principal amount of US\$500,000,000. Net proceeds after deducting the issuance cost amounted to US\$496,558,000 (equivalent to approximately RMB3,497,619,000).

On 25 November 2019, the Company issued senior perpetual capital securities (the “2019 Perpetual Capital Securities III”) with the principal amount of US\$200,000,000. Net proceeds after deducting the issuance cost amounted to US\$198,730,000 (equivalent to approximately RMB1,399,798,000).

The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings

	2020	2019
Borrowings included in non-current liabilities:		
Senior notes (note(a))		
— Senior notes issued in 2015 ("2015 Senior notes")	—	3,468,738
— Senior notes issued in 2017 ("2017 Senior notes") (note (a)(i))	1,296,740	1,381,795
— Senior notes issued in 2018 ("2018 Senior notes") (note (a)(ii))	3,907,389	6,937,180
— Senior notes issued in 2019 ("2019 Senior notes") (note (a)(iii))	3,249,826	3,464,656
— Senior notes issued in 2020 ("2020 Senior notes") (note (a)(iv))	6,376,999	—
PRC corporate bonds (note (b))	7,593,944	8,567,219
Commercial mortgage backed securities (note (c))	4,094,763	4,084,182
Asset-backed securities (note (d))	1,154,394	904,408
Long-term syndicated loans		
— secured (note (e))	14,882,424	15,302,192
— unsecured (note (f))	1,155,245	1,513,829
Long-term bank borrowings		
— secured (note (e))	27,043,308	22,550,460
— unsecured (note (f))	8,927,955	9,123,273
Other borrowings		
— secured (note (e))	8,153,706	8,598,962
— unsecured (note (f))	1,720,885	1,189,710
Less: current portion of non-current borrowings	(30,313,830)	(32,713,984)
	59,243,748	54,372,620
Borrowings included in current liabilities:		
Short-term bank borrowings		
— secured (note (e))	591,905	2,495,166
— unsecured (note (f))	2,248,359	1,854,931
Short-term other borrowings		
— secured (note (e))	3,129,000	4,983,001
— unsecured (note (f))	2,285,924	250,000
Current portion of non-current borrowings	30,313,830	32,713,984
	38,569,018	42,297,082
Total borrowings	97,812,766	96,669,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

Notes:

(a) Senior Notes

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB2,956,918,000 as at 31 December 2020 (31 December 2019: RMB4,393,620,000).

(i) 2017 Senior Notes

On 14 August 2017, the Company issued 5.125% senior notes with an aggregated nominal value of US\$200,000,000 (equivalent to approximately RMB1,332,020,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$196,125,000 (equivalent to approximately RMB1,306,210,000). The 2017 Senior Notes will mature on 14 August 2022. The Company, at its option, can redeem all or a portion of the 2017 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(ii) 2018 Senior Notes

On 18 July 2018, the Company issued 8.5% senior notes with an aggregated nominal value of US\$600,000,000 (equivalent to approximately RMB4,040,064,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$593,557,000 (equivalent to approximately RMB3,997,108,000). The 2018 Senior Notes will mature on 18 July 2021. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iii) 2019 Senior Notes

On 7 March 2019, the Company issued 6.7% senior notes with an aggregated nominal value of US\$500,000,000 (equivalent to approximately RMB3,355,500,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$495,429,000 (equivalent to approximately RMB3,324,823,000). The 2019 Senior Notes will mature on 7 March 2022. The Company, at its option, can redeem all or a portion of 2019 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iv) 2020 Senior notes

On 3 July 2020, the Company issued 5.750% senior notes with an aggregated nominal value of US\$500,000,000 (equivalent to approximately RMB3,531,900,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$497,109,000 (equivalent to approximately RMB3,511,482,000). The notes will mature in July 2025.

On 13 October 2020, the Company issued 6.050% senior notes with an aggregated nominal value of US\$483,000,000 (equivalent to approximately RMB3,232,868,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$480,039,000 (equivalent to approximately RMB3,212,904,000). The notes will mature in October 2025.

The Company, at its option, can redeem all or a portion of the 2020 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(b) PRC Corporate Bonds

On 11 January 2016, a PRC subsidiary (the "Issuer") of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. On 14 January 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB12,228,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 11 January 2021 at the coupon rate of 6.95%.

On 29 July 2016, the Company issued 4.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on 29 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On 30 July 2018, the Company completed the repurchase and cancellation of 20,300,000 the non-public Domestic Corporate Bonds in an aggregate principal amount of RMB2,030,000,000. On 29 July 2020, the Issuer redeemed the outstanding corporate bond in full at a redemption price equal to 100% of the principal amount of the corporate bonds and the accrued and unpaid interest as of the Redemption Date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

Notes: (Continued)

(b) PRC Corporate Bonds (Continued)

On 11 October 2016, the Company issued 4.6% corporate bonds with an aggregate amount of RMB1,800,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000. On 11 October 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB570,000,000 as the investors exercised the right to sell back. On 12 October 2020, the Issuer redeemed the bond in an aggregate principal amount of RMB608,000,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 11 October 2021 at the coupon rate of 5.30%.

On 11 October 2016, the Company issued 5.7% corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,192,500,000. The bonds will mature on 11 October 2023. The Company shall be entitled to adjust the coupon rate at the end of the fifth year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 12 July 2017, the Company issued 6.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,976,735,000. On 12 July 2019, the Company redeemed the bond in an aggregate principal amount of RMB351,000,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 12 July 2020 at the coupon rate of 6.60%. On 13 July 2020 ("the Redemption Date"), the Company redeemed the outstanding corporate bond in full at a redemption price equal to 100% of the principal amount of the corporate bonds and the accrued and unpaid interest as of the Redemption Date.

On 13 July 2020, the Issuer of the Company issued 6.20% non-public corporate bonds with an aggregate amount of RMB1,500,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,495,500,000. The bonds will mature on 13 July 2022.

On 19 October 2020, the Issuer of the Company issued 6.20% non-public corporate bonds with an aggregate amount of RMB1,500,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,498,440,000. The bonds will mature on 19 October 2022.

(c) Commercial Mortgage Backed Securities

A PRC subsidiary of the Company engaged in commercial property operation entered into Commercial Mortgage Backed Securities ("CMBS") arrangement with an assets management company by pledging of the receivables for certain properties under its operation as well as the building, the land use right and the investment property. On 10 April 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000, with an 18-year maturity, amongst which RMB500,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000. The Issuer redeemed the CMBS in an aggregate principal amount of RMB1,200,000,000 on 21 January 2021 as the investors exercised the right to sell back. The CMBS has been resold to the new investors, and the CMBS will be mature on 10 April 2024.

(d) Asset-backed securities

A PRC subsidiary of the Company engaged in property development entered into Panyu asset-backed securities (the "Panyu ABS") arrangement with an assets management company by pledging of the receivables for certain properties under its management. On 31 October 2020, the Panyu ABS was formally established with an aggregate nominal value of RMB1,000,000,000, with a 2-year maturity amongst which RMB50,000,000 was purchased by the PRC subsidiary as original holder. The investors shall be entitled to sell back in whole or in part the ABS at the end of the second year. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB948,245,000.

One of the newly acquired PRC subsidiaries of the Company entered into an asset-backed securities (the "Acquired ABS") arrangement with an assets management company by pledging of the receivables for certain property management contracts in respect of certain properties under the PRC subsidiary's management, and supported by a guarantee provided by the original shareholder before being acquired by the Group. The Acquired ABS will mature in July 2021. As at 31 December 2020, there was Acquired ABS in an aggregate principal amount of RMB206,000,000 outstanding.

(e) As at 31 December 2020, the Group's borrowings were secured by certain of its cash, land use rights, self-used properties, trade receivables, completed properties held for sale, properties under development, investment properties and the shares of certain subsidiaries and equity interests of a joint venture.

(f) As at 31 December 2020, the Group's unsecured borrowings of RMB14,075,291,000 were jointly guaranteed by certain subsidiaries of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2020	2019
6 months or less	27,468,076	37,252,232
6–12 months	24,121,806	18,219,867
1–5 years	46,222,884	41,197,603
	97,812,766	96,669,702

The carrying amounts of the borrowings with the respective effective interest rates:

	2020		2019	
	RMB'000	Effective interest rate	RMB'000	Effective interest rate
Senior notes	14,830,954	8.05%	15,252,369	8.55%
Borrowings excluding Senior notes	82,981,812	6.31%	81,417,333	6.85%
	97,812,766		96,669,702	

The carrying amounts and fair value of the non-current borrowings are as follows:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Senior notes (note (i))	14,830,954	15,286,699	15,252,369	15,872,250
PRC public corporate bonds (note (ii))	1,599,997	1,600,901	1,599,885	1,628,160
PRC non-public corporate bonds (note (iii))	2,995,109	2,995,109	–	–
Bank borrowings, syndicated loans and other borrowings (note (iii))	39,817,688	39,817,688	37,520,366	37,520,366
	59,243,748	59,700,397	54,372,620	55,020,776

Notes:

- (i) The fair value of senior notes is determined directly by references to the price quotations published by the Singapore Exchange Limited and The Stock Exchange of Hong Kong Limited on 31 December 2020, the last dealing date of 2020 and is within level 1 of the fair value hierarchy.
- (ii) The fair value of RMB1,600,901,000 PRC public corporate bond is determined directly by references to the price quotations published by the China Securities Index Co., Ltd on 31 December 2020, the last dealing date of 2020 and is within level 1 of the fair value hierarchy.
- (iii) The fair values of PRC non-public corporate bonds, non-current bank borrowings, syndicated loans, other borrowings approximate their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted at the average borrowing rate of 6.31% (2019: 6.85%), and are within level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

At 31 December 2020, the Group's borrowings were repayable as follows:

	2020	2019
Within 1 year	38,569,018	42,297,082
Between 1 and 2 years	29,228,594	29,572,885
Between 2 and 5 years	26,237,042	21,117,672
Over 5 years	3,778,112	3,682,063
	97,812,766	96,669,702

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2020	2019
RMB	57,737,426	55,092,913
HK dollar	18,534,946	21,017,348
US dollar	19,574,067	18,523,302
MYR	472,632	436,944
MOP	1,493,695	1,599,195
	97,812,766	96,669,702

The Group has the following undrawn borrowing facilities:

	2020	2019
Floating rate:		
— Expiring beyond one year	4,141,000	6,404,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

25 Trade and other payables

	2020	2019
Trade payables (note (a))	24,819,387	21,276,425
Other payables due to:		
— Third parties (note (b) and note (e))	20,327,349	13,935,941
— Related parties (note 44(c))	12,914,816	8,193,454
— Non-controlling interests (note (e))	5,445,480	3,200,722
Staff welfare benefit payable	1,588,807	1,073,575
Accruals	1,441,036	1,433,623
Advances from disposal of equity interests (note (c))	7,050,760	2,681,106
Other taxes payable (note (d))	5,926,507	4,324,850
Total trade and other payables	79,514,142	56,119,696
Less: other payables — non-current portion	(4,284,452)	(2,201,976)
Trade and other payable — current portion	75,229,690	53,917,720

Notes:

(a) The ageing analysis of the trade payables of the Group based on invoice date as at 31 December 2020 and 2019 is as follows:

	2020	2019
Within 90 days	15,796,936	13,440,152
Over 90 days and within 180 days	7,400,392	6,265,677
Over 180 days and within 365 days	982,715	966,394
Over 365 days	639,344	604,202
	24,819,387	21,276,425

- (b) The other payables to third parties mainly include: (i) the deposits received from third parties for potential equity cooperation in certain property development projects; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured and repayable according to terms and conditions mutually agreed with the counter parties.
- (c) Amounts of RMB7,050,760,000 represented advances from disposal of certain equity interests according to respective agreements with an independent third party (note 48).
- (d) Amount included RMB3,874,957,000 represented value added tax payable of advanced proceeds received from customers (2019: RMB3,437,000,000).
- (e) Amounts included current cash advances of approximately RMB884,200,000 with interest bearing among 7% to 7.5% per annum and the non-current cash advances of approximately RMB1,108,174,000 with interest bearing among 5.9% to 10.1% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

26 Financial liabilities at fair value through profit or loss

As at 31 December 2020, the Group had the following financial liabilities at fair value through profit or loss:

	2020	2019
Non-current portion:		
— Derivative financial instruments	26,002	12,656
— Put options	75,233	70,436
	101,235	83,092
Current portion:		
— Put options	19,542	—
— Derivative financial instruments	984,881	53,684
	1,004,423	53,684

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2020 were US\$2,400,000,000, approximating to RMB15,659,760,000 in total (31 December 2019: US\$4,490,000,000, approximating to RMB31,323,138,000).

During the year ended 31 December 2020, decrease in fair value of derivative financial instruments of RMB1,648,655,000 have been recorded in "finance cost, net" in the consolidated income statement (note 34).

27 Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2020	2019
Contract liabilities		
— Related parties (note 44(c))	314,942	44,094
— Third parties	36,066,412	33,609,856
	36,381,354	33,653,950

- (i) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties and provision of property management services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

27 Contract liabilities (Continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities.

	2020	2019
Revenue recognised that was included at the beginning of the year		
Sales of properties	32,259,274	25,094,077
Property management and value-added services	470,300	395,481
	32,729,574	25,489,558

(iii) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities as of 31 December 2020 and 2019.

28 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2020	2019
Deferred income tax assets to be recovered after more than 12 months	1,321,456	1,113,509
Deferred income tax assets to be recovered within 12 months	289,463	421,542
Set-off of deferred tax liabilities pursuant to set-off provisions	(218,638)	(184,281)
	1,392,281	1,350,770
Deferred income tax liabilities to be settled after more than 12 months	(4,262,574)	(3,339,348)
Deferred income tax liabilities to be settled within 12 months	(43,195)	(24,713)
Set-off of deferred tax liabilities pursuant to set-off provisions	218,638	184,281
	(4,087,131)	(3,179,780)
Deferred income tax liabilities, net	(2,694,850)	(1,829,010)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

28 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – tax losses	Deferred tax assets – write-down of completed properties held for sale and properties under development	Temporary differences arising from trade and other receivables and contract assets	Deferred tax assets – unrealised profit on intra-group transactions	Deferred tax liabilities – excess of carrying amount of investment properties and property, plant and equipment over the tax bases	Deferred tax liabilities – excess of carrying amounts of intangible assets over the tax bases	Deferred tax liabilities – excess of fair value of financial assets over the tax bases	Deferred tax liabilities – excess of carrying amounts of land use right over the tax bases	Net
At 1 January 2019	658,068	485,618	28,006	366,688	(1,639,329)	(50,357)	(65,635)	(233,162)	(450,103)
Acquisition of subsidiaries	13,251	-	-	-	-	(136,158)	-	(1,021,894)	(1,144,801)
Credited to/(Charged) the consolidated income statement	129,211	(238,039)	37,394	54,854	(41,928)	26,922	11,852	(210,053)	(229,787)
Charged to other comprehensive income	-	-	-	-	-	-	(4,319)	-	(4,319)
At 31 December 2019	800,530	247,579	65,400	421,542	(1,681,257)	(159,593)	(58,102)	(1,465,109)	(1,829,010)
Acquisition of subsidiaries	75,398	-	10,253	-	-	(243,781)	-	(524,992)	(683,122)
Disposal of subsidiaries	-	-	-	-	-	3,061	-	-	3,061
(Charged)/Credited to the consolidated income statement	(41,288)	21,914	141,670	(132,079)	(50,433)	33,323	3,048	(138,115)	(161,960)
Charged to other comprehensive income	-	-	-	-	(1,884)	-	(21,935)	-	(23,819)
At 31 December 2020	834,640	269,493	217,323	289,463	(1,733,574)	(366,990)	(76,989)	(2,128,216)	(2,694,850)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of RMB1,229,179,000 (2019: RMB900,278,000) in respect of tax losses amounting to RMB4,916,716,000 (2019: RMB3,601,112,000) that can be carried forward against future taxable income. Tax losses of approximately RMB525,860,000, RMB331,496,000, RMB744,416,000, RMB1,861,484,000 and RMB1,453,460,000 will expire in 2021, 2022, 2023, 2024 and 2025 respectively.

Deferred income tax liabilities of RMB2,340,384,000 (2019: RMB2,056,483,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB46,807,680,000 (2019: RMB41,129,660,000) of certain subsidiaries. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to the oversea intermediate holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

29 Other gains, net

	2020	2019
Gains from disposal of subsidiaries (note 38)	2,425,511	2,988,981
Remeasurement gains resulting from joint ventures and an associate transferred to subsidiaries (note 10)	819,891	579,449
Fair value (losses)/gains on financial assets at FVPL (note 17)	(4,981)	999,715
Fair value losses on put options written on non-controlling interests	(8,214)	–
Gains on disposal of financial assets at FVPL	61,640	–
Gains from disposal of joint ventures and associates	226,314	–
Fair value gains on investment properties (note 7)	196,906	117,070
Exchange (losses)/gains, net (note (a))	(56,174)	85,975
Gains on disposal of property, plant and equipment and investment properties	45,396	6,682
Miscellaneous	34,137	24,292
	3,740,426	4,802,164

Note:

- (a) Amount mainly represents the gains or losses of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss related to borrowings which are included in the “finance costs, net” (note 34).

30 Other income

	2020	2019
Interest income (note (a))	855,231	654,422
Interest income from related parties (note 44 (b))	442,261	354,619
Government grants	264,321	137,660
Dividend income from financial assets at FVPL	4,177	66,904
Penalty income	70,545	37,413
Miscellaneous	33,319	31,519
	1,669,854	1,282,537

Note:

- (a) Interest income was mainly derived from bank deposit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

31 Other expenses

	2020	2019
Charitable donations	164,639	116,350
Compensation expenses	191,271	78,869
Miscellaneous	44,134	33,081
	400,044	228,300

32 Expenses by nature

	2020	2019
Cost of properties sold — including construction cost, land cost and capitalised interests	46,397,944	36,776,212
Employee benefit expenses — including directors' emoluments (note 33)	7,679,434	4,953,010
— Property development	2,988,672	2,408,632
— Property management	4,064,100	2,046,866
— Commercial management	187,961	270,392
— Environmental protection	438,701	227,120
Cost of inventories consumed by environmental protection and property management services	1,479,733	867,557
Depreciation (note 6 & note 8)	940,071	770,761
Amortisation (note 9)	372,557	95,605
Write-down of completed properties held for sale and properties under development	423,124	325,505
Impairment of goodwill (note 9 & note(a))	723,802	—
Impairment of property, plant and equipment (note 6 & note(a))	42,238	154,376
Auditors' remunerations	27,798	18,254
— Audit services	19,955	11,825
— Non-audit services	7,843	6,429
Advertising costs	853,301	800,004
Commission fee	1,094,424	513,681
Cleaning expenses	825,090	412,207
Other taxes	309,118	294,981
Other levies on sales of properties	355,786	241,728
Utilities	226,173	200,287
Maintenance costs	370,357	176,816
Operating lease payments (note 8)	156,442	48,020
Consulting Fee	480,670	323,183
Others	1,004,239	933,985
Total cost of sales, selling and marketing costs and administrative expenses	63,762,301	47,906,172

Note:

- (a) The impairment losses of goodwill and property, plant and equipment are included in administrative expenses in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

33 Employee benefit expense

	2020	2019
Wages and salaries	6,245,448	3,772,851
Bonuses	642,065	514,402
Pension costs — statutory pension (note (a))	271,519	279,722
Staff welfare	175,206	129,381
Medical benefits	77,512	80,769
Other allowances and benefits	267,684	175,885
	7,679,434	4,953,010

Notes:

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.
- (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: two) directors whose emoluments are reflected in the analysis shown in note 49. The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	2020	2019
Salary	10,471	9,610
Bonus	6,626	9,495
Contribution to pension scheme	457	178
	17,554	19,283

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in HK dollar)		
HK\$6,000,001 — HK\$ 6,500,000	1	1
HK\$6,500,001 — HK\$ 7,000,000	1	—
HK\$7,500,001 — HK\$ 8,000,000	1	1
HK\$8,000,001 — HK\$ 8,500,000	—	1

- (c) During the years ended 31 December 2020 and 2019, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.
- (d) No other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking during the year ended 31 December 2020 (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

34 Finance costs, net

	2020	2019
Interest expense:		
— Bank borrowings, syndicated loans and other borrowings	5,339,273	4,965,759
— Senior notes	1,203,299	1,244,227
— PRC Corporate Bonds, ABS and CMBS	793,759	868,948
— Lease liabilities	39,426	37,006
Less: interest and exchange losses capitalised	(5,299,929)	(5,240,078)
Exchange (gains)/losses from borrowings	(2,684,273)	854,174
Changes in fair value of derivative financial instruments (note 26)	1,648,655	(200,212)
	1,040,210	2,529,824

35 Income tax expenses

	2020	2019
Current income tax:		
— PRC corporate income tax	4,606,185	3,219,748
— PRC land appreciation tax	4,139,808	3,875,741
— PRC withholding income tax	315,098	37,652
Deferred income tax (note 28)		
— PRC corporate income tax	161,960	244,663
— Hong Kong profits tax	—	(14,876)
	9,223,051	7,362,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

35 Income tax expenses (Continued)

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries or regions of the Group entities as follows:

	2020	2019
Profit before income tax	21,471,928	16,596,174
Tax calculated at tax rates applicable to profits in the respective entities of the Group	5,202,236	3,658,662
Tax effects of:		
— Tax effect of super deduction items	(22,783)	(6,747)
— Share of profits of investment accounted for using the equity method reported net of tax	(396,408)	(271,561)
— Income not subject to income tax (note(a))	(18,060)	(24,945)
— Expenses not deductible for income tax (note(b))	674,747	597,690
— PRC land appreciation tax deductible for calculation of income tax purposes	(1,034,952)	(968,935)
— Tax losses for which no deferred income tax asset was recognised	363,365	465,371
PRC corporate income tax	4,768,145	3,449,535
PRC withholding income tax	315,098	37,652
PRC land appreciation tax	4,139,808	3,875,741
	9,223,051	7,362,928

Notes:

- (a) Income not subject to income tax for the years ended 31 December 2020 and 2019 mainly comprise the interest income of bank deposits.
- (b) Expenses not deductible for income tax for the year ended 31 December 2020 mainly comprise administrative expense of domestic companies over deduction limits, impairment of goodwill, donations made to non-official public welfare institutions, the loss of securities transactions, exchange losses and expenses of the Group entities in Hong Kong and Malaysia (2019: same).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

35 Income tax expenses (Continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "CIT Law") effective on 1 January 2008.

Certain subsidiaries of the Group obtained the Certificate of High-New Technical Enterprise. According to the CIT Law of the PRC, corporations which obtain the Certificate of High-New Technical Enterprise are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. The tax rate applicable to these companies during the year ended 31 December 2020 was 15% (year ended 31 December 2019: 15%).

A subsidiary of the Group has enjoyed a preferential policy in Zhuhai Hengqin (Free Trade Area) with an enterprise income tax rate of 15% during the year ended 31 December 2020. Certain subsidiaries of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in certain years.

Certain subsidiaries of the Group in the PRC provide environmental protection services and these companies enjoy the policy of "Three exemption and three half corporate income tax". Certain subsidiaries of the Group in the PRC are located in Hainan Free Trade Port and subject to a preferential income tax rate of 15% in certain years (year ended 31 December 2019: 25%).

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower of 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

During the year ended 31 December 2020, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

35 Income tax expenses (Continued)

Hong Kong profits tax

Except for provision for the fair value gains of financial assets at FVPL, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

36 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2020	2019
Profit attributable to shareholders of the Company	9,474,597	7,511,794
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,882,578	3,882,578
Basic earnings per share (RMB per share)	2.440	1.935

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2020 and 2019, there was no diluted potential ordinary share, diluted earnings per share equally to basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

37 Dividends

	2020	2019
Interim dividend paid of HK\$0.50 (2019: HK\$0.60) per ordinary share (note (a))	1,731,773	2,124,946
Less: Dividend for shares held for Share Award Scheme	(15,240)	(18,700)
	1,716,533	2,106,246
Proposed final dividend of HK\$0.60 (2019: HK\$0.40) per ordinary share (note (b))	1,972,664	1,428,594
Less: Dividend for shares held for Share Award Scheme	(17,359)	(12,463)
	1,955,305	1,416,131

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2020 of HK\$0.50 per ordinary share, approximately HK\$1,958,524,000 (equivalent to RMB1,731,773,000) was declared by the Board of Directors of the Company (2019: HK\$2,350,229,000, equivalent to RMB2,124,946,000).
- (b) A final dividend in respect of 2019 of HK\$0.40 per ordinary share approximately HK\$1,566,819,000 (equivalent to RMB1,428,594,000) was declared at the Annual General meeting of the Company on 11 May 2020, of which HK\$13,788,000 (equivalent to RMB12,463,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings.

A final dividend in respect of 2020 of HK\$0.60 per ordinary share approximately HK\$2,350,229,000 (equivalent to RMB1,972,664,000) have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 12 May 2021. The final dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected these dividends payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

38 Disposal of subsidiaries

During the year ended 31 December 2020, the Group disposed of certain equity interests in several wholly-owned subsidiaries (the “Disposed Projects”) to independent third parties at considerations of RMB1,953,873,000 in total. The Group lost control over the Disposed Projects and according to the shareholders agreements, the Group is eligible to exercise joint control or significant influence over the Disposed Projects together with relevant buyers. The Group accounted for the Disposed Projects as joint ventures and associates, recorded disposal gains of RMB2,425,511,000 during the year ended 31 December 2020. Details of the disposal transactions are as follows:

	2020
Disposal considerations	
— Cash received	1,953,873
— Fair value of remaining equity interests in the Disposed Projects	2,018,250
	3,972,123
Less:	
— total net assets of the Disposal Projects	(1,546,612)
Gains from disposal of subsidiaries	2,425,511
Cash proceeds from disposal, net of cash disposed of	
Cash consideration received	1,953,873
Less:	
— cash and cash equivalents in the Disposal Projects	(286,734)
— advances from disposal of the subsidiaries received in prior years	(1,170,367)
Net cash inflow on disposals	496,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

39 Cash flow information

(a) Cash generated from operations

	2020	2019
Profit for the year	12,248,877	9,233,246
Adjustments for:		
Taxation (note 35)	9,223,051	7,362,928
Interest income (note 30)	(1,297,492)	(1,009,041)
Depreciation of property, plant and equipment (note 6)	657,879	569,111
Amortisation of intangible assets (note 9)	372,557	95,605
Depreciation of right-of-use assets (note 8)	282,192	201,650
Write-down of completed properties held for sale and properties under development (note 32)	423,124	325,505
Impairment of goodwill (note 9)	723,802	–
Write-down of property, plant and equipment (note 32)	42,238	154,376
Net impairment losses on financial and contract assets	566,679	149,574
Reversal of impairment loss	(72,731)	–
Gains on disposal of investment properties and property, plant and equipment (note 29)	(45,396)	(6,682)
Net exchange losses/(gains) (note 29)	56,174	(85,975)
Fair value gains on investment properties (note 29)	(196,906)	(117,070)
Share of post-tax profits of investments accounted for using the equity method (note 10)	(1,585,630)	(1,086,246)
Finance costs, net (note 34)	1,040,210	2,529,824
Gains from disposal of subsidiaries (note 29)	(2,425,511)	(2,988,981)
Remeasurement gains resulting from joint ventures transfer to a subsidiaries (note 29)	(819,891)	(579,449)
Fair value gains on financial assets and liabilities at FVPL	(48,445)	(999,715)
Gains from disposal of joint ventures and associates (note 29)	(226,314)	–
Revenue from operating concessions construction	(11,656)	(360,230)
Changes in working capital:		
Property under development and completed properties held for sales	(1,044,484)	(19,974,666)
Prepayments for acquisition of land use rights	2,323,300	(5,482,288)
Restricted cash	(465,182)	(388,475)
Trade and other receivables	(10,064,500)	(1,175,972)
Trade and other payables	8,012,962	6,823,879
Contract assets	(1,528,845)	(930,841)
Contract liabilities	2,086,590	8,747,116
Cash generated from operations	18,226,652	1,007,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

39 Cash flow information (Continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

Net debt

	2020	2019
Cash and cash equivalents	41,925,908	33,551,303
Financial assets at FVPL	1,247,819	1,008,031
Borrowings — repayable within one year	(38,569,018)	(42,297,082)
Borrowings — repayable after one year	(59,243,748)	(54,372,620)
Lease liabilities	(636,938)	(572,737)
Net debt	(55,275,977)	(62,683,105)
Cash and cash equivalents	41,925,908	33,551,303
Financial assets at FVPL	1,247,819	1,008,031
Gross debt — fixed interest rates	(51,589,882)	(46,373,957)
Gross debt — variable interest rates	(46,222,884)	(50,295,745)
Lease liabilities	(636,938)	(572,737)
Net debt	(55,275,977)	(62,683,105)

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings	Other payables — related parties	Other payables — non-controlling interests	Lease liabilities	Dividends payable	Total
As at 1 January 2020	96,669,702	8,193,454	3,200,722	572,737	592	108,637,207
Cash flows						
— Inflow from financing activities	61,861,169	5,720,870	4,492,935	—	—	72,074,974
— Outflow from financing activities	(61,293,771)	(1,143,007)	(2,248,177)	(274,422)	(3,581,260)	(68,540,637)
Non-cash changes						
— Finance expense recognised	(2,295,150)	—	—	39,426	—	(2,255,724)
— Acquisition of subsidiaries	3,888,152	(198,685)	—	13,966	—	3,703,433
— Disposal of subsidiaries	(995,000)	342,184	—	—	—	(652,816)
— Addition of lease liabilities	—	—	—	285,231	—	285,231
— Accrued dividends	—	—	—	—	3,581,260	3,581,260
— Other non-cash movement	(22,336)	—	—	—	53,126	30,790
As at 31 December 2020	97,812,766	12,914,816	5,445,480	636,938	53,718	116,863,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

40 Business combination

During the year ended 31 December 2020, the Group completed several acquisitions of equity interests in certain companies, mainly included property development companies, property management companies and environmental protection companies, at consideration of RMB6,989,218,000 in aggregate. Goodwill of RMB1,109,714,000 and identifiable net assets of RMB5,879,504,000 were recognised. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed. Details of the purchase consideration, the net asset acquired and goodwill are as follow:

	Total
Consideration	
Cash paid	2,001,861
Liabilities assumed by the Group in exchange for control of the acquirees	1,580,715
Fair value of investments in joint ventures held before business combination (note 10)	2,931,576
Consideration payable	475,667
Contingent consideration	(601)
	6,989,218
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,475,122
Restricted cash	26,489
Contract assets	349,000
Financial assets at FVPL	237,670
Financial assets at FVOCI	28,581
Property, plant and equipment	151,353
Investments accounted for using the equity method	498,373
Properties under development	12,326,195
Contractual customer relationship	701,819
Other intangible assets	1,190,336
Right-of-use assets	34,719
Inventories	6,447
Trade and other receivables	6,768,146
Trade and other payables	(8,709,369)
Contract liabilities	(2,303,778)
Lease liabilities	(13,966)
Borrowings	(3,888,152)
Deferred income tax assets	85,651
Deferred income tax liabilities	(768,773)
Total identifiable net assets	8,195,863
Non-controlling interests	2,316,359
Identifiable net assets attributable to the Company	5,879,504
Goodwill (note 9)	1,109,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

40 Business combination (Continued)

	Total
Net cash outflow arising on acquisition during the year ended 31 December 2020:	
Cash and cash equivalents in the subsidiaries acquired	1,475,122
Less: total cash considerations	(2,477,528)
Add: cash considerations payable as at 31 December 2020	475,667
Add: cash considerations paid in prior year	468,000
Less: cash considerations paid of companies acquired in the previous years	(34,739)
Cash outflow in the year	(93,478)

The acquired businesses contributed revenues of RMB13,270,423,000 and net profits of RMB656,190,000 to the Group for the period from the respective acquisition dates to 31 December 2020.

If the acquisitions had occurred on 1 January 2020, the Group's consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been RMB80,854,866,000 and of RMB12,282,340,000, respectively.

No contingent liability has been recognised for the business combination.

41 Financial guarantee

	2020	2019
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	51,377,753	38,294,381
Guarantee in respect of borrowings of associates (note (b) and note 44(b))	1,108,608	1,096,112
Guarantee in respect of borrowings of joint ventures (note (c) and note 44(b))	5,111,404	5,831,507
Guarantees in respect of borrowings of third parties (note (d))	1,677,116	1,487,074
	59,274,881	46,709,074

Notes:

- (a) The Group has cooperated with certain financial institutions to arrange mortgage loan facilities for its purchasers of properties and provide guarantees to secure obligations of such purchasers for repayments. As at 31 December 2020, the outstanding guarantees amounted to RMB51,377,753,000 (2019: RMB38,294,381,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the associate was RMB2,785,022,000 as at 31 December 2020 (31 December 2019: RMB3,100,493,000).

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the joint ventures was RMB11,853,245,000 as at 31 December 2020 (31 December 2019: RMB13,308,149,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

41 Financial guarantee (Continued)

Notes: (Continued)

(a) (Continued)

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

- (b) Several subsidiaries of the Group and associate counter parties have provided certain guarantees in proportion of their shareholding in associates in respect of loan facilities amounting to RMB2,242,750,000(2019: RMB2,843,700,000). As at 31 December 2020, the Group's share of the guarantees amounted to RMB1,108,608,000 (31 December 2019: RMB1,096,112,000).
- (c) Several subsidiaries of the Group and joint venture counter parties have provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loan facilities amounting to RMB10,389,523,000 (2019: RMB12,423,440,000). As at 31 December 2020, the Group's share of the guarantees amounted to RMB5,111,404,000 (31 December 2019: RMB5,831,507,000).
- (d) As at 31 December 2020, the Group provided certain guarantees to certain independent third parties in respect of loan facilities amounting to RMB1,677,116,000 (31 December 2019: RMB1,487,074,000).

42 Commitments

	2020	2019
Contracted but not provided for		
— Property development activities	23,313,880	16,406,314
— Acquisition of land use rights	8,244,205	10,020,111
— Property, plant and equipment	829,206	813,471
— Other intangible assets	—	2,705
	32,387,291	27,242,601

43 Future minimum rental payments receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2020	2019
Not later than one year	119,813	158,260
Later than one year and not later than five years	315,876	388,876
Over five years	216,109	98,857
	651,798	645,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Full Choice Investments Limited	The ultimate holding Company of the Group
Top Coast Investment Limited	The intermediate holding Company of the Group
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the "Founding Shareholders")	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (ii)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (ii)) 中山雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Hainan Agile Hanhai Hotel Management Co., Ltd (note (ii)) 海南雅居樂瀚海酒店管理有限公司	Controlled by the Founding Shareholders
Foshan Changzhong Real Estate Development Co., Ltd. (note (ii)) 佛山市昌重房地產開發有限公司	Associate of the Group
Foshanshi Sanshuiqu Qingmei Real Estate Co.,Ltd. (note (ii)) 佛山市三水區擎美房地產有限公司	Associate of the Group
Foshan Yaxu Real Estate Development Co., Ltd. (note (ii)) 佛山雅旭房地產開發有限公司	Associate of the Group
Fuzhou Shengquan Real Estate Development Co., Ltd. (note (ii)) 福州盛全房地產開發有限公司	Associate of the Group
Xinxingxian Country Garden Real Estate Development Co., Ltd. (note (ii)) 新興縣碧桂園房地產開發有限公司	Associate of the Group
Sichuan Yacan Real Estate Development Co., Ltd. (note (ii)) 四川雅燦房地產開發有限公司	Associate of the Group
Jinzhongshi Jinhong Yubao Real Estate Development Co., Ltd. (note (ii)) 晉中市錦洪裕寶房地產開發有限責任公司	Associate of the Group
Haimen Xinya Real Estate Development Co., Ltd. (note (ii)) 海門新雅房地產開發有限公司	Associate of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Sichuan Yaheng Real Estate Development Co., Ltd. (note (i)) 四川雅恒房地產開發有限公司	Associate of the Group
Nantongshi Tongzhouqu Dongju Land Co., Ltd. (note (i)) 南通市通州區東居置業有限公司	Associate of the Group
Dali Meizhao Real Estate Development Co., Ltd. (note (i)) 大理美詔房地產開發有限公司	Associate of the Group
Handan Yurong Real Estate Development Co., Ltd. (note (i)) 邯鄲裕榮房地產開發有限公司	Associate of the Group
Wuxi Yahui Real Estate Development Co., Ltd. (note (i)) 無錫雅輝房地產開發有限公司	Associate of the Group
Huizhou Meiteng Project Management Co., Ltd. (note (i)) 惠州美騰項目管理有限公司	Associate of the Group
Wuhan Dinghui Yale Real Estate Development Co., Ltd. (note (i)) 武漢市鼎輝雅樂房地產開發有限公司	Associate of the Group
Chengdu Xueling Corporation Management Co., Ltd. (note (i)) 成都雪瓚企業管理有限公司	Associate of the Group
Kunming Yaxin Real Estate Development Co., Ltd. (note (i)) 昆明雅欣房地產開發有限公司	Associate of the Group
Guangzhou Yajing Investment Co., Ltd. (note (i)) 廣州雅景投資有限公司	Associate of the Group
Zhejiang Ivlong Eco Technology Co., Ltd. (note (i)) 浙江綠龍生態科技有限公司	Associate of the Group
Guangzhou Yahong Real Estate Development Co., Ltd. (note (i)) 廣州雅宏房地產開發有限公司	Associate of the Group
Guangzhou Haiya Investments Co., Ltd. (note (i)) 廣州海雅投資有限公司	Associate of the Group
Guangzhou Lihe Real Estate Property Development Co., Ltd. (note (i)) 廣州利合房地產開發有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Tianjin Jinnan Xincheng Real Estate Development Co., Limited (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. (note (i)) 長沙上城置業有限公司	Joint venture of the Group
Guangxi Fuya Investments Co., Ltd. (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Charm Talent Limited (note (i)) 煌迪有限公司	Joint venture of the Group
Foshan Yazhan Property Development Co., Ltd. (note (i)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd. (note (i)) 中山市志力置業有限公司	Joint venture of the Group
Zhongshan Minsan Real Estate Development Co., Ltd. (note (i)) 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. (note (i)) 海南雅宏旅遊置業有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Development Co., Ltd. (note (i)) 中山市盈軒房地產開發有限公司	Joint venture of the Group
Beijing Zhonggang International Real Estate Development Co., Ltd. (note (i)) 北京中港國際房地產開發有限公司	Joint venture of the Group
Foshan Zhongjiao Real Estate Development Co., Ltd. (note (i)) 佛山中交房地產開發有限公司	Joint venture of the Group
Foshan Xiangsong Land Co., Ltd. (note (i)) 佛山香頌置業有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Hefei Changzhe Real Estate Development Co., Ltd. (note(ii)) 合肥昌哲房地產開發有限公司	Joint venture of the Group
Jinan Yajun Real Estate Development Co., Ltd. (note(ii)) 濟南雅隼房地產開發有限公司	Joint venture of the Group
Lianyungangshi Ganglong Land Co., Ltd. (note(ii)) 連雲港市港龍置業有限公司	Joint venture of the Group
Jinan Yaheng Real Estate Development Co., Ltd. (note(ii)) 濟南雅恒房地產開發有限公司	Joint venture of the Group
Xuzhou Chuanda Real Estate Development Co., Ltd. (note(ii)) 徐州川達房地產開發有限公司	Joint venture of the Group
Jiangmenshi Meishun Real Estate Development Co., Ltd. (note(ii)) 江門市美順房地產開發有限公司	Joint venture of the Group
Kaifeng Guokong Songdu Land Co., Ltd. (note(ii)) 開封國控宋都置業有限公司	Joint venture of the Group
Jiaxing Xingya Real Estate Development Co., Ltd. (note(ii)) 嘉興興雅房地產開發有限公司	Joint venture of the Group
Xuzhou Yafeng Real Estate Development Co., Ltd. (note(ii)) 徐州雅豐房地產開發有限公司	Joint venture of the Group
Xingyang Agile City Construction Co., Ltd. (note(ii)) 滎陽雅居樂城市建設有限公司	Joint venture of the Group
Xingyang Agile Enterprise Co., Ltd. (note(ii)) 滎陽市雅居樂實業有限公司	Joint venture of the Group
Meizhou Zhongnan Yusheng Real Estate Development Co., Ltd. (note(ii)) 梅州中南昱晟房地產開發有限公司	Joint venture of the Group
Jiangxi Jianda Investment Co., Ltd. (note(ii)) 江西建大投資有限公司	Joint venture of the Group
Fujian Chuxin Eco Technology Co., Ltd. (note(ii)) 福建省儲鑫環保科技有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Jinzhong Xiya Real Estate Development Co., Ltd. (note(ii)) 晉中熙雅房地產開發有限公司	Joint venture of the Group
Jinan Junsheng Real Estate Development Co., Ltd. (note(ii)) 濟南隼盛房地產開發有限公司	Joint venture of the Group
Wuhu Yaxu Real Estate Development Co., Ltd. (note(ii)) 蕪湖雅旭房地產開發有限公司	Joint venture of the Group
Chenzhou Agile Real Estate Development Co., Ltd. (note(ii)) 郴州雅居樂房地產開發有限公司	Joint venture of the Group
Chongqing Jinbi Agile Real Estate Development Co., Ltd. (note(ii)) 重慶金碧雅居房地產開發有限公司	Joint venture of the Group
Suzhou Meiju Real Estate Development Co., Ltd. (note (ii)) 蘇州美居房地產開發有限公司	Joint venture of the Group
Kaifeng Fenghui Land Co., Ltd. (note (ii)) 開封豐輝置業有限公司	Joint venture of the Group
Shenyang Agile Enterprise Management Consultation Co., Ltd. (note (ii)) 沈陽雅居樂企業管理諮詢有限公司	Joint venture of the Group
Shenyang Yasong Real Estate Development Co., Ltd. (note (ii)) 沈陽雅頌房地產開發有限公司	Joint venture of the Group
Huizhou Huiyang Agile Real Estate Development Co., Ltd. (note (ii)) 惠州市惠陽雅居樂房地產開發有限公司	Joint venture of the Group
Tianjin Ruiya Real Estate Development co., Ltd. (note(ii)) 天津瑞雅房地產開發有限公司	Joint venture of the Group
Chongqing Huayu Yefeng Enterprise Development Co., Ltd. (note (ii)) 重慶華宇業豐實業有限公司	Joint venture of the Group
Guangzhou Hongsheng Hengju Investment Partnership Enterprises (Limited Partnership) (note (ii)) 廣州鴻晟恒鉅投資合夥企業(有限合夥)	Joint venture of the Group
Xingyang Yaheng Land Co., Ltd. (note (ii)) 滎陽市雅恒置業有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Huizhou Yajian Real Estate Development Co., Ltd. (note (i)) 惠州市雅建房地產開發有限公司	Joint venture of the Group
Henry Fischer Real Estate Co., Limited. (note (i)) 亨利世家置業有限公司	Joint venture of the Group
Nanjing Qiya Land Co., Ltd. (note (i)) 南京奇雅置業有限公司	Joint venture of the Group
Gongqingcheng Investment (note(i)) 共青城投資	Controlled by a key management personnel of the Group
Beautiful Development Limited 錦繡前程有限公司	Controlled by a key management personnel of the Group
Atlas (China) Co., Ltd. ("Atlas (China)") (note (i)) 寰圖(中國)有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Beijing) Business Development Co., Ltd (note (i)) 寰圖(北京)商務發展有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Shanghai) Business Services Co., Ltd (note (i)) 寰圖(上海)商務服務有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Guangzhou) Business Development Co., Ltd (note (i)) 寰圖(廣州)商務發展有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Xi'an) Business Services Co., Ltd (note (i)) 寰圖(西安)商務服務有限公司	Significantly influenced by the close family member of the Founding Shareholders

Note (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies, as no English names have been registered or available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(b) Transactions with related parties

- (i) During the years ended 31 December 2020 and 2019, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business:

	2020	2019
Office service fee charged by Atlas (China) (note (a))	469,419	79,617
Golf facilities service fee charged by Zhongshan Changjiang Golf Course (note (a))	14,033	14,635
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd. (note (a))	3,925	3,594
	487,377	97,846
	2020	2019
Rental income from Atlas (China) (note (a))	74,462	27,804
	2020	2019
Loans made to related parties		
— Associates	1,359,267	178,222
— Joint ventures	1,445,632	668,868
	2,804,899	847,090
	2020	2019
Repayment of loans by related parties		
— Associates	448,195	972,125
— Joint ventures	643,762	1,093,728
	1,091,957	2,065,853
	2020	2019
Interest income from (note (b))		
— Associates	184,322	106,734
— Joint ventures	257,939	247,885
	442,261	354,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

- (i) During the years ended 31 December 2020 and 2019, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business: (Continued)

	2020	2019
Provision of construction services to		
— Associates	93,179	89,888
— Joint ventures	1,878,710	1,510,516
	1,971,889	1,600,404

Key management compensation

Key management includes executive directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	2020	2019
— Salaries and other short-term employee benefits	41,592	42,738
— Retirement scheme contributions	147	167
	41,739	42,905

Notes:

- (a) Office service fee, golf facilities services fee, restaurant and hotel services fee and rental fees were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.
- (b) Interest income were charged in accordance with the terms of the loan contracts signed between the respective related parties and the Group.
- (ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB6,220,012,000 as at 31 December 2020 (31 December 2019: RMB6,927,619,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(c) Balances with related parties

As at 31 December 2020 and 2019, the Group had the following significant trade and non-trade balances with related parties:

	2020	2019
Receivables due from (note (i))		
— Associates	656,384	1,326,119
— Joint ventures	16,185,176	10,341,884
— Other related parties	493,892	193,728
	17,335,452	11,861,731
Loan and interest receivables due from (note (ii))		
— Associates	2,578,279	1,480,885
— Joint ventures	2,811,982	1,751,474
	5,390,261	3,232,359
Payables due to (note (i))		
— Associates	1,828,029	314,038
— Joint ventures	10,984,608	7,778,832
— Other related parties	102,179	100,584
	12,914,816	8,193,454
Contract liabilities		
— Associates	10,648	581
— Joint ventures	304,284	43,513
— Other related parties	10	—
	314,942	44,094

Notes:

- (i) The balances are cash advances and trade receivables in nature, which are unsecured and interest free.
- (ii) The balances are loan receivables and interest from associates and joint ventures, which are unsecured and interest bearing. The effective interest rate ranges from 4.35% to 15% per annum.

45 Ultimate holding company

The directors of the Company consider Full Choice Investments Limited, a company incorporated in Hong Kong, to be the ultimate holding company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below:

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Directly held by the Company						
Eastern Supreme Group Holdings Limited	British Virgin Islands (the "BVI")/ limited liability Company	US\$50,000	Investment holding/ Hong Kong	100%	100%	–
Indirectly held by the Company						
雅生活智慧城市服務股份有限公司 (前稱雅居樂雅生活服務股份有限公司) A-Living Smart City Services Co., Ltd. (formerly named A-Living Services Co., Ltd.) (note (ii))	PRC/foreign invested enterprise	RMB1,333,334,000	Property management/ Mainland China	–	54%	46%
雅居樂地產置業有限公司 Agile Property Land Co., Ltd.	PRC/wholly foreign owned enterprise	RMB50,000,000	Management consultant/ Mainland China	–	100%	–
中山雅居樂雅苑景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$1,428,571,429	Property development/ Mainland China	–	100%	–
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Realty Development Co., Ltd. (note (ii) and note (iv))	PRC/wholly foreign owned enterprise	RMB500,000,000	Property development/ Mainland China	–	100%	–
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Realty Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB455,000,000	Property development/ Mainland China	–	100%	–
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB300,000,000	Property development/ Mainland China	–	100%	–
中山市凱茵豪園房地產開發有限公司 Zhongshan Greenville Realty Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB208,163,265	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB251,020,408	Property development/ Mainland China	–	100%	–
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US\$21,690,000	Property development/ Mainland China	–	100%	–
佛山市雅居樂房地產有限公司 Foshan Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US\$117,500,000	Property development/ Mainland China	–	100%	–
南京雅居樂房地產開發有限公司 Nanjing Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US\$118,900,000	Property development/ Mainland China	–	100%	–
河源市雅居樂房地產開發有限公司 Heyuan Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$270,000,000	Property development/ Mainland China	–	100%	–
海南清水灣控股有限公司 Hainan Clearwater Bay Holdings Limited	BVI/Limited liability company	US\$69	Investment holding/ BVI	–	100%	–
海南雅居樂房地產開發有限公司 Hainan Agile Real Estate Development Co., Ltd. (note (iv))	PRC/foreign invested enterprise	HK\$3,187,540,000	Property development/ Mainland China	–	100%	–
海南雅恒房地產發展有限公司 Hainan Yaheng Real Estate Development Co., Ltd. (note (iv))	PRC/foreign invested enterprise	HK\$1,770,000,000	Property development/ Mainland China	–	100%	–
廣州從化雅居樂房地產開發有限公司 Guangzhou Conghua Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$570,000,000	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
四川雅居樂房地產開發有限公司 Sichuan Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$780,000,000	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂房地產有限公司 Foshan Sanshui Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$200,000,000	Property development/ Mainland China	–	100%	–
陝西昊瑞房地產開發有限責任公司 Shanxi Haorui Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB210,000,000	Property development/ Mainland China	–	100%	–
上海靜安城投重慶置業有限公司 Shanghai Jing'an Chengtou Chongqing Land Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$300,000,000	Property development/ Mainland China	–	100%	–
上海雅恒房地產開發有限公司 Shanghai Yaheng Real Estate Development Co., Ltd. (note (ii) and note (iv))	PRC/wholly foreign owned enterprise	RMB810,000,000	Property development/ Mainland China	–	100%	–
廣州雅居樂酒店有限公司 Guangzhou Agile Hotel Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$7,000,000	Hotel operation/ Mainland China	–	100%	–
佛山市雅居樂酒店有限公司 Foshan Agile Hotel Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$10,000,000	Hotel operation/ Mainland China	–	100%	–
廣州雅恒房地產開發有限公司 Guangzhou Yaheng Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US\$203,877,551	Property development/ Mainland China	–	100%	–
中山市雅信房地產開發有限公司 Zhongshan Yaxin Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB220,000,000	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interests (%)
中山市雅創房地產開發有限公司 Zhongshan Yachuang Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB350,000,000	Property development/ Mainland China	–	100%	–
廣州雅生房地產開發有限公司 Guangzhou Yasheng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	100%	–
中山市雅景房地產開發有限公司 Zhongshan Yajing Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB310,000,000	Property development/ Mainland China	–	100%	–
廣州雅粵房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK\$1,000,000,000	Property development/ Mainland China	–	100%	–
廣州雅騰房地產開發有限公司 Guangzhou Yateng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	HK\$100,000,000	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂雅園房地產有限公司 Foshan Sanshui Agile Majestic Garden Real Estate Co., Ltd. (note (iv))	PRC/limited liability Company	RMB300,000,000	Property development/ Mainland China	–	100%	–
廣東西樵商貿廣場有限公司 Guangdong Xiqiao Commerce Plaza Co., Ltd. (note (iv))	PRC/limited liability Company	RMB30,000,000	Property development/ Mainland China	–	100%	–
南京江寧雅居樂房地產開發有限公司 Nanjing Jiangning Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US\$119,800,000	Property development/ Mainland China	–	100%	–
遼寧雅居樂房地產開發有限公司 Liaoning Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US\$59,990,000	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interests (%)
西安雅居樂物業投資管理有限公司 Xi'an Agile Property Investment Management Co., Ltd. (note (iv))	PRC/limited liability Company	RMB650,000,000	Property development/ Mainland China	–	100%	–
佛山市順德區雅居樂房地產有限公司 Foshan Shunde Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB450,000,000	Property development/ Mainland China	–	100%	–
南京雅建置業有限公司 Nanjing Yajian Land Co., Ltd. (note (iv))	PRC/limited liability Company	RMB450,000,000	Property development/ Mainland China	–	100%	–
常州雅居樂房地產開發有限公司 Changzhou Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US\$418,367,347	Property development/ Mainland China	–	100%	–
騰冲雅居樂旅遊置業有限公司 Tengchong Agile Resort Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB550,000,000	Property development/ Mainland China	–	100%	–
海南雅航旅遊置業有限公司 Hainan Yahang Travel Property Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB1,122,450,000	Property development/ Mainland China	–	100%	–
西雙版納雅居樂旅遊置業有限公司 Xishuangbanna Agile Resort Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB500,000,000	Property development/ Mainland China	–	100%	–
瑞麗雅居樂旅遊置業有限公司 Ruili Agile Resort Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB304,000,000	Property development/ Mainland China	–	100%	–
西安曲江雅居樂房地產開發有限公司 Xi'an Qujiang Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB664,000,000	Property development/ Mainland China	–	70%	30%
佛山市順德區雅新房地產開發有限公司 Foshan Shunde Yaxin Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB450,000,000	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interests (%)
揚州雅居樂房地產開發有限公司 Yangzhou Agile Real Estate Development Co., Ltd. (note (iv))	PRC/foreign invested enterprise	HK\$1,130,000,000	Property development/ Mainland China	–	100%	–
來安雅居樂房地產開發有限公司 Lai'an Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB50,000,000	Property development/ Mainland China	–	100%	–
無錫雅居樂房地產開發有限公司 Wuxi Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB400,000,000	Property development/ Mainland China	–	100%	–
上海松江雅居樂房地產開發有限公司 Shanghai Song Jiang Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB903,000,000	Property development/ Mainland China	–	100%	–
昆山市富恒房地產開發有限公司 Kunshan Fuheng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB130,000,000	Property development/ Mainland China	–	100%	–
中山市雅尚房地產開發有限公司 Zhongshan Yashang Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB300,000,000	Property development/ Mainland China	–	100%	–
杭州余杭雅居樂房地產開發有限公司 Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB30,000,000	Property development/ Mainland China	–	100%	–
南京濱江雅居樂房地產開發有限公司 Nanjing Binjiang Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB2,080,722,000	Property development/ Mainland China	–	100%	–
鄭州雅居樂房地產開發有限公司 Zhengzhou Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	60%	40%
佛山市南海區雅恒房地產開發有限公司 Foshan Nanhai Yaheng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB200,000,000	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interests (%)
武漢長凱物業發展有限公司 Wuhan Changkai Property Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB621,148,000	Property development/ Mainland China	–	100%	–
中山市雅盈房地產開發有限公司 Zhongshan Yaying Real Estate Development Company Limited (note (iv))	PRC/limited liability Company	RMB1,000,000	Property development/ Mainland China	–	100%	–
北京雅晟房地產開發有限公司 Beijing Yasheng Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB1,000,000,000	Property development/ Mainland China	–	100%	–
中山市世光創建置業有限公司 Zhongshan Shiguang Chuangjian Zhiye Company Limited (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	100%	–
重慶雅恒房地產開發有限公司 Chongqing Yaheng Real Estate Development Co. Ltd (note (iv))	PRC/limited liability Company	RMB600,000,000	Property development/ Mainland China	–	100%	–
重慶雅錦房地產開發有限公司 Chongqing Yajin Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	100%	–
成都雅頌房地產開發有限公司 Chengdu Yasong Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB824,577,000	Property development/ Mainland China	–	100%	–
蘇州雅居樂置業有限公司 Suzhou Agile Land Co., Ltd. (note (iv))	PRC/limited liability Company	RMB32,000,000	Property development/ Mainland China	–	100%	–
廣州雅悅房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd (note (iv))	PRC/limited liability Company	RMB200,000,000	Property development/ Mainland China	–	100%	–
漢中龍騰雅居房地產開發有限公司 Hanzhong Longteng Yayu Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB50,000,000	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non- controlling interests (%)
汕尾市雅居樂房地產開發有限公司 Shanwei Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	100%	–
揚州雅吳商務管理有限公司 Yangzhou Yahao Business Management Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB1,980,000,000	Property development/ Mainland China	–	70%	30%
天津雅逸房地產開發有限公司 Tianjin Yayi Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB30,000,000	Property development/ Mainland China	–	96%	4%
河南雅同置業有限公司 Henan Yatong Land Co., Ltd. (note (iv))	PRC/limited liability Company	RMB209,402,000	Property development/ Mainland China	–	100%	–
海南雅海旅遊發展有限公司 Hainan Yahai Travel Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB646,073,000	Property development/ Mainland China	–	100%	–
山西雅居晉明房地產開發有限公司 Shanxi Yaju Jinming Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB55,555,556	Property development/ Mainland China	–	71.25%	28.75%
海南雅誠房地產開發有限公司 Hainan Yacheng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	HK\$40,820,000	Property development/ Mainland China	–	100%	–
廣東新美居房地產發展有限公司 Guangdong Xinmeiju Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB10,000,000	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administering and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

- (i) A-Living Smart City Services Co., Ltd. is a listed company in Main Board of Hong Kong Stock Exchange.
- (ii) As at 31 December 2020, Guangzhou Panyu Agile Realty Development Co., Ltd issued PRC corporate bonds and asset-backed securities, and Shanghai Yaheng Real Estate Development Co., Ltd. issued commercial mortgage backed securities (note 24).
- (iii) As at 31 December 2020, other subsidiaries of the Company listed above have not issued any debt securities.
- (iv) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

47 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	2020	2019
Assets		
Non-current assets		
Investments in subsidiaries	448,520	448,520
Total non-current assets	448,520	448,520
Current assets		
Amounts due from subsidiaries	72,416,026	70,230,396
Other receivables	155,492	151,927
Cash and cash equivalents	888,592	5,358,424
Total current assets	73,460,110	75,740,747
Total assets	73,908,630	76,189,267
Equity		
Equity attributable to shareholders of the Company		
Share capital and premium	3,421,883	3,421,883
Shares held for Share Award Scheme	(156,588)	(156,588)
Retained earnings (note (a))	2,064,961	1,481,250
	5,330,256	4,746,545
Perpetual Capital Securities	13,637,493	13,566,867
Total equity	18,967,749	18,313,412
Liabilities		
Non-current liabilities		
Borrowings	21,584,569	27,544,324
Financial liabilities at FVPL	26,002	12,656
Total non-current liabilities	21,610,571	27,556,980
Current liabilities		
Borrowings	20,489,290	20,289,129
Amounts due to subsidiaries	11,355,462	9,132,545
Other payables	500,677	843,517
Financial liabilities at FVPL	984,881	53,684
Total current liabilities	33,330,310	30,318,875
Total liabilities	54,940,881	57,875,855
Total equity and liabilities	73,908,630	76,189,267

The balance sheet of the Company was approved by the Board of Directors on 23 March 2021 and was signed on its behalf by:

Chen Zhuo Lin

Chan Cheuk Hung

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

Note (a): Reserves movement of the Company

	Other reserves	Retained earnings
At 1 January 2019	427,512	2,432,683
Profit for the year	–	2,932,068
Redemption of Perpetual Capital Securities	(427,512)	(77,201)
Dividends declared relating to 2019	–	(3,806,300)
At 31 December 2019	–	1,481,250
At 1 January 2020	–	1,481,250
Profit for the year	–	3,744,078
Dividends declared relating to 2020	–	(3,160,367)
At 31 December 2020	–	2,064,961

48 Events after the balance sheet date

Pursuant to several agreements entered into by independent third party acquirers (the “Acquirers”), and relevant subsidiaries of the Company (“Agile Relevant Shareholders”) in December 2020 and February 2021, it was agreed that the Acquirer and Agile Relevant Shareholders would jointly invest and develop several relevant project companies in the agreed proportion. The Acquirers have paid a total of RMB7,050,760,000 to the Agile Relevant Shareholders as earnest monies for their respective acquisition of equity interests, which was treated as advanced payment for disposal of equity interests in December 2020, which was recorded in trade and other payables in the consolidated balance sheet. Up to report date, the transactions has not been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

49 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

For the year ended 31 December 2020:

	Fees	Salary	Bonus	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	4,642	–	–	16	4,658
Mr. Chan Cheuk Hung	3,311	–	–	16	3,327
Mr. Huang Fengchao	433	4,200	3,430	211	8,274
Mr. Chen Zhongqi	433	4,200	3,224	70	7,927
Mr. Chan Cheuk Yin	433	–	–	–	433
Madam. Luk Sin Fong, Fion	433	–	–	–	433
Mr. Chan Cheuk Hei	433	–	–	–	433
Mr. Chan Cheuk Nam	433	–	–	–	433
Dr. Cheng Hon Kwan (note (ii))	433	–	–	–	433
Mr. Kwong Che Keung, Gordon (note (ii))	433	–	–	–	433
Mr. Hui Chiu Chung, Stephen (note (ii))	433	–	–	–	433
Mr. Wong Shiu Hoi, Peter (note (ii))	433	–	–	–	433
	12,283	8,400	6,654	313	27,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

49 Benefits and interests of directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2019:

	Fees	Salary	Bonus	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	4,356	–	–	16	4,372
Mr. Chan Cheuk Hung	3,108	–	–	16	3,124
Mr. Huang Fengchao	146	4,209	3,666	155	8,176
Mr. Chen Zhongqi	146	4,231	3,511	64	7,952
Mr. Chan Cheuk Yin	408	–	–	–	408
Madam. Luk Sin Fong, Fion	408	–	–	–	408
Mr. Chan Cheuk Hei	408	–	–	–	408
Mr. Chan Cheuk Nam	408	–	–	–	408
Dr. Cheng Hon Kwan (note(ii))	408	–	–	–	408
Mr. Kwong Che Keung, Gordon (note(ii))	408	–	–	–	408
Mr. Hui Chiu Chung, Stephen (note(ii))	408	–	–	–	408
Mr. Wong Shiu Hoi, Peter (note(ii))	408	–	–	–	408
	11,020	8,440	7,177	251	26,888

Note (i): Independent non-executive directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

49 Benefits and interests of directors (Continued)

(b) Directors' retirement benefits

During the year ended 31 December 2020, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note(a) above (2019: same).

(c) Directors' termination benefits

During the year ended 31 December 2020, there was no termination benefits received by the directors (2019: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2020, no consideration was paid for making available the services of the directors of the Company (2019: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2020, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(f) Directors' material interests in transactions, arrangements or contracts

Save for the transactions disclosed in note 44(b)(i), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Agile Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Agile Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 222, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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 (CONTINUED)

The key audit matters identified in our audit and our audit procedures performed to address these key audit matters are set out as below:

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Assessment of net realisable of properties under development and completed properties held for sale</p> <p>Refer to notes 4.1(a), 12 and 13 to the consolidated financial statements.</p> <p>Properties under development and completed properties held for sale amounted to RMB124,848,005,000 as at 31 December 2019, accounting for 46% of the Group's total assets. Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable values were assessed taking into account of costs to completion of properties under development, variable selling expenses based on past experience and selling price based on prevailing market conditions.</p> <p>Based on management's assessment, a provision of RMB1,561,682,000 for properties under development and a provision of RMB706,290,000 for completed properties held for sale were made as at 31 December 2019.</p> <p>We focused on this area because of the significant estimates and judgements involved in determining the selling prices, variable selling expenses and costs to completion.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) We understood, evaluated and validated the internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion; (ii) We assessed the Group's estimates of the anticipated costs to completion for properties under development by reconciling the anticipated costs to completion to the approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar location. We performed analysis on management's material cost adjustments; and (iii) We challenged management's assumptions when determining the net sales value based on prevailing market conditions by: <ul style="list-style-type: none"> • Researching the selling prices from the public available resources and comparing the estimated selling price to the most recent selling price for the properties under presales or the prevailing market price of the same type of properties in the same location; • Analysing the historical selling expenses to selling price ratio, assessing whether management's estimated selling expenses were within such range. <p>We found that management's estimates for provision of properties under development and completed properties held for sale are properly supported by the available evidences.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Valuations of investment properties</p> <p>Refer to notes 4.1(b) and 7 to the consolidated financial statements.</p> <p>The Group's investment properties were measured at fair value of RMB8,495,950,000 as at 31 December 2019, with revaluation gains of RMB117,070,000 recorded as "other gains, net" in the consolidated statement of comprehensive income for the year then ended.</p> <p>Independent external valuations were performed for all of investment properties in order to support management's estimates. Fair values of completed investment properties are derived using income capitalisation approach or the direct comparison approach, where applicable. The fair values of investment properties under construction are prepared under residual approach.</p> <p>We focused on this area as the valuations included certain key assumptions that involved significant management estimates, including term yields and reversionary yields, market rents, market prices and estimated costs to completion.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties; (ii) We evaluated the independent external valuer's competence, capabilities and objectivity; (iii) We checked, on a sample basis, accuracy and relevance of the input data used in the valuation and checked the mathematical accuracy of the valuations; (iv) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We agreed the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions; (v) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date. <p>We found the key assumptions and estimates used in the valuation of investment properties were properly supported by the available evidences.</p>

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and The Audit Committee for the Consolidated Financial Statements

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

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

The audit committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2020

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December	
		2019	2018
Assets			
Non-current assets			
Property, plant and equipment	6	11,701,956	8,753,527
Investment properties	7	8,495,950	8,804,220
Land use rights	8	–	2,039,236
Right-of-use assets	9	3,077,209	–
Goodwill	10	3,897,055	1,841,613
Other intangible assets	10	1,578,192	258,990
Investments accounted for using the equity method	11	14,711,189	10,088,353
Prepayments for acquisition of equity interests		468,000	870,856
Properties under development	12	31,742,993	16,936,396
Trade and other receivables	16	5,182,026	12,510,503
Financial assets at fair value through other comprehensive income		262,036	–
Deferred income tax assets	25	1,350,770	1,433,982
		82,467,376	63,537,676
Current assets			
Properties under development	12	79,622,115	73,584,977
Completed properties held for sale	13	13,447,730	8,446,700
Inventories		343,029	46,467
Prepayments for acquisition of land use rights	15	10,669,360	5,187,072
Contract assets	5	1,379,556	448,715
Trade and other receivables	16	35,360,168	27,735,425
Prepaid income taxes		6,077,471	3,165,117
Financial assets at fair value through profit or loss	17	1,008,031	3,232,031
Assets held for sale		302,108	–
Restricted cash	18	9,003,578	9,285,376
Cash and cash equivalents	19	33,551,303	35,776,231
		190,764,449	166,908,111
Total assets		273,231,825	230,445,787

CONSOLIDATED BALANCE SHEET (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

		As at 31 December	
	Note	2019	2018
Equity			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	20	3,421,883	3,421,883
Shares held for Share Award Scheme	21	(156,588)	(156,588)
Other reserves	22	2,931,267	2,604,982
Retained earnings		38,277,061	35,368,931
		44,473,623	41,239,208
Perpetual Capital Securities	23	13,566,867	8,334,875
Non-controlling interests		7,295,986	5,406,850
Total equity		65,336,476	54,980,933
Liabilities			
Non-current liabilities			
Borrowings	24	54,372,620	53,196,485
Trade and other payables	26	2,201,976	–
Financial liabilities at fair value through profit or loss	27	83,092	6,144
Lease liabilities	9	390,326	–
Deferred income tax liabilities	25	3,179,780	1,884,085
		60,227,794	55,086,714
Current liabilities			
Borrowings	24	42,297,082	35,332,872
Trade and other payables	26	53,917,720	42,533,971
Financial liabilities at fair value through profit or loss	27	53,684	7,192
Contract liabilities	5	33,653,950	25,489,558
Lease liabilities	9	182,411	–
Current income tax liabilities		17,562,708	17,014,547
		147,667,555	120,378,140
Total liabilities		207,895,349	175,464,854
Total equity and liabilities		273,231,825	230,445,787

The notes on pages 112 to 222 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 104 to 222 were approved by the Board of Directors on 23 March 2020 and were signed on its behalf by:

Chen Zhuo Lin

Chan Cheuk Hung

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Operation			
Revenue	5	60,239,097	56,144,926
Cost of sales	31	(41,881,111)	(31,471,009)
Gross profit		18,357,986	24,673,917
Selling and marketing costs	31	(2,026,178)	(2,318,044)
Administrative expenses	31	(3,998,883)	(2,909,554)
Net impairment losses on financial and contract assets	3.1(c)	(149,574)	(97,250)
Other gains, net	28	4,802,164	1,986,253
Other income	29	1,282,537	1,040,034
Other expenses	30	(228,300)	(257,002)
Operating profit		18,039,752	22,118,354
Finance costs, net	33	(2,529,824)	(2,744,353)
Share of post-tax profits of investments accounted for using the equity method	11	1,086,246	27,098
Profit before income tax		16,596,174	19,401,099
Income tax expenses	34	(7,362,928)	(11,043,282)
Profit for the year		9,233,246	8,357,817
Profit attributable to:			
Shareholders of the Company		7,511,794	7,125,007
Holders of Perpetual Capital Securities	23	850,225	676,906
Non-controlling interests		871,227	555,904
		9,233,246	8,357,817
Earnings per share from continuing operations attributable to shareholders of the Company for the year (expressed in Renminbi per share)			
– Basic	35	1.935	1.835
– Diluted	35	1.935	1.835

The notes on pages 112 to 222 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Profit for the year		9,233,246	8,357,817
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
– Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		21,857	–
– Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	6	–	261,111
<i>Items that may be reclassified to profit or loss</i>			
– Currency translation differences		1,147	(1,303)
Other comprehensive income for the year, net of tax		23,004	259,808
Total comprehensive income for the year		9,256,250	8,617,625
Attributable to:			
– Shareholders of the Company		7,532,534	7,379,636
– Holders of Perpetual Capital Securities		850,225	676,906
– Non-controlling interests		873,491	561,083
		9,256,250	8,617,625

The notes on pages 112 to 222 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total	Perpetual Capital Securities (note 23)	Non-controlling interests	Total equity
Balance at 1 January 2019	3,421,883	(156,588)	2,604,982	35,368,931	41,239,208	8,334,875	5,406,850	54,980,933
Comprehensive income								
Profit for the year	–	–	–	7,511,794	7,511,794	850,225	871,227	9,233,246
Other comprehensive income								
Currency translation differences	–	–	(1,117)	–	(1,117)	–	2,264	1,147
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	21,857	–	21,857	–	–	21,857
Total comprehensive income	–	–	20,740	7,511,794	7,532,534	850,225	873,491	9,256,250
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	753,986	(753,986)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(990,199)	–	(990,199)
Redemption of Perpetual Capital Securities (note 23)	–	–	(427,512)	(77,201)	(504,713)	(4,305,407)	–	(4,810,120)
Capital injection by non-controlling interests	–	–	–	–	–	–	668,576	668,576
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	838,218	838,218
Acquisition of additional interests in subsidiaries	–	–	41,250	–	41,250	–	(140,050)	(98,800)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(351,099)	(351,099)
Issuance of Perpetual Capital Securities (note 23)	–	–	–	–	–	9,677,373	–	9,677,373
Dividends (note 36)	–	–	–	(3,772,477)	(3,772,477)	–	–	(3,772,477)
Put options granted during the acquisition of subsidiaries	–	–	(62,179)	–	(62,179)	–	–	(62,179)
Total transactions with shareholders, recognised directly in equity	–	–	305,545	(4,603,664)	(4,298,119)	4,381,767	1,015,645	1,099,293
Balance at 31 December 2019	3,421,883	(156,588)	2,931,267	38,277,061	44,473,623	13,566,867	7,295,986	65,336,476

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total	Perpetual Capital Securities (note 23)	Non- controlling interests	Total equity
Balance at 1 January 2018	3,421,883	(156,588)	785,400	32,284,542	36,335,237	5,529,424	2,311,569	44,176,230
Comprehensive income								
Profit for the year	–	–	–	7,125,007	7,125,007	676,906	555,904	8,357,817
Other comprehensive income								
Currency translation differences	–	–	(6,482)	–	(6,482)	–	5,179	(1,303)
Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	–	–	261,111	–	261,111	–	–	261,111
Total comprehensive income	–	–	254,629	7,125,007	7,379,636	676,906	561,083	8,617,625
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	124,310	(124,310)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(595,347)	–	(595,347)
Redemption of Perpetual Capital Securities (note 23)	–	–	–	–	–	(1,011,216)	–	(1,011,216)
Capital injection by non-controlling interests	–	–	1,462,313	–	1,462,313	–	1,737,030	3,199,343
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	988,259	988,259
Acquisition of additional interests in subsidiaries	–	–	(21,670)	–	(21,670)	–	(2,291)	(23,961)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(188,800)	(188,800)
Issuance of Perpetual Capital Securities (note 23)	–	–	–	–	–	3,735,108	–	3,735,108
Dividends (note 36)	–	–	–	(3,916,308)	(3,916,308)	–	–	(3,916,308)
Total transactions with shareholders, recognised directly in equity	–	–	1,564,953	(4,040,618)	(2,475,665)	2,128,545	2,534,198	2,187,078
Balance at 31 December 2018	3,421,883	(156,588)	2,604,982	35,368,931	41,239,208	8,334,875	5,406,850	54,980,933

The notes on page 112 to 222 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Cash flows from operating activities			
Cash generated from operations	38(a)	1,007,183	15,224,055
Interest paid		(6,282,614)	(4,437,007)
PRC income tax paid		(9,275,848)	(8,159,459)
Net cash (used in)/generated from operating activities		(14,551,279)	2,627,589
Cash flows from investing activities			
Prepayment of land use rights for development of own used properties		(210,618)	(30,522)
Net cash outflow on disposal of a subsidiary		(235,495)	–
Advance consideration received from disposal of subsidiaries		2,681,106	987,700
Proceeds received from disposal of investment properties		57,770	–
Payments of construction cost of investment properties		(52,430)	–
Investments in associates and joint ventures		(2,103,494)	(3,055,520)
Prepayment for acquisitions of equity interests		(468,000)	(829,354)
Purchases of property, plant and equipment		(1,907,891)	(1,118,159)
Purchases of intangible assets		(14,586)	(10,900)
Proceed received from disposal of investment properties, land use rights and property, plant and equipment		251,233	62,903
Payment for acquisition of subsidiaries through business combination		(2,536,405)	(738,352)
Repayment of cash advances from related parties		10,156,482	2,268,664
Repayment of cash advances from non-controlling interests		846,842	–
Cash advances made to related parties		(5,668,240)	(13,028,720)
Dividend income from associates		12,872	–
Proceeds received/(payment) to settle derivative financial instruments		253,216	(315,339)
Purchase of financial assets at fair value through other comprehensive income		(218,114)	–
Purchase of wealth management products		(35,215,944)	(25,194,380)
Redemption of wealth management products		34,845,212	25,174,380
Payment for acquisition of other financial assets at fair value through profit or loss		(1,331,425)	(4,778,093)
Proceeds from settlement of other financial assets at fair value through profit or loss		4,877,567	2,770,102
Cash advance made to non-controlling interests		(1,207,507)	(780,752)
Dividend received		59,712	127,685
Interest received		1,009,041	780,488
Net cash generated from/(used in) investing activities		3,880,904	(17,708,169)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Cash flows from financing activities			
Proceeds from issuance of Perpetual Capital Securities		9,753,310	3,801,370
Issuance cost of Perpetual Capital Securities		(75,937)	(66,262)
Redemption of Perpetual Capital Securities		(4,810,120)	(1,011,216)
Net proceeds from borrowings		48,248,554	80,172,084
Repayments of borrowings		(42,799,664)	(55,383,268)
Decrease in guarantee deposit for borrowings		219,798	416,000
Cash advances from related parties		3,636,493	2,204,179
Repayments of cash advances to related parties		(495,538)	–
Cash advance from non-controlling interest		1,898,876	3,296,742
Repayments of cash advances from non-controlling interest		(2,295,002)	(314,330)
Capital contribution by non-controlling interests		668,576	3,199,343
Principal elements of lease payments		(285,477)	–
Non-controlling interests from acquisition of additional interests in subsidiaries		(98,800)	(23,961)
Distribution to holders of Perpetual Capital Securities		(990,199)	(595,347)
Dividends paid to shareholders of the Company		(3,772,477)	(3,916,308)
Dividends paid to non-controlling interests		(351,099)	(43,200)
Net cash generated from financing activities		8,451,294	31,735,826
Net (decrease)/increase in cash and cash equivalents		(2,219,081)	16,655,246
Cash and cash equivalents at beginning of the year		35,776,231	19,041,948
Exchange (losses)/gains on cash and cash equivalents		(5,847)	79,037
Cash and cash equivalents at end of the year	19	33,551,303	35,776,231

The notes on pages 112 to 222 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

1 General information

Agile Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the “Group”) are principally engaged in property development in the People’s Republic of China (the “PRC”).

The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 15 December 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 23 March 2020.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the “HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and, financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015-2017 cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

The Group had to change its accounting policies and make certain modified retrospective adjustments as a result of adopting the HKFRS 16 Leases. The impact of the adoption of the leasing standard are disclosed in note 2.2 below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge accounting	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 2.2(a) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (continued)

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.06%.

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	295,570
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	244,235
(Less): short-term leases and low-value leases recognised on a straight-line basis as expense	(3,147)
(Less): contracts reassessed as service agreements	(46,714)
Lease liabilities recognised as at 1 January 2019	194,374
Of which are:	
Current lease liabilities	73,076
Non-current lease liabilities	121,298
	194,374

Under the modified retrospective approach, the associated right-of-use assets for property leases were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Recognised right-of-use assets relate to the following types of assets:

	31 December 2019	1 January 2019
Land use rights	2,392,388	2,039,236
Property, plant and equipment	665,945	174,046
Land use right for ancillary facilities	18,876	20,328
Total right-of-use assets	3,077,209	2,233,610

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB2,233,610,000
- Lease liabilities – increase by RMB194,374,000
- Land use rights – decrease by RMB2,039,236,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

There is no impact on the retained earnings on 1 January 2019.

There is no material impact on earnings per share for the year ended 31 December 2019 as a result of the adoption of HKFRS 16.

Impact on segment disclosures

Segments assets and segment liabilities as at 31 December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The change in policy will increase segment assets and liabilities as at 31 December 2019 as following:

	Segment assets	Segment liabilities
Property development	169,852	186,294
Property management	14,756	15,200
Hotel operations	28,386	29,564
Environmental protection	3,673	3,973
	216,667	235,031

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-INT 4 Determining whether an Arrangement contains a Lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3.2 Investments accounted for using the equity method

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.2 Investments accounted for using the equity method (continued)

Equity method (continued)

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.12.

2.3.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to consolidated income statement where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated income statement as a bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.4 Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in consolidated income statement.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions of the Group.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.7 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

When there is a change of use from an investment property to an owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10-60 years
Office equipment	5-10 years
Transportation equipment	4-10 years
Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

2.9 Construction in progress

Construction in progress represents property under construction and is stated at cost less accumulated impairment loss, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction, if any. No provision for depreciation is made on construction in progress until such times as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.10 Investment property

Investment property, principally comprising land use rights and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded as "other gains, net" in the consolidated income statement.

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in and its fair value in as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

- (i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in consolidated income statement.
- (ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generation units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.11 Intangible assets (continued)

(b) Trademarks

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 5 to 20 years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method over the expected life of 6 to 10 years for the customer relationships.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

(e) Operating concessions

Operating concessions are capitalised on the basis of the costs incurred to build and operating water waste treatment plants and refuse-burning power plant. These costs are amortised over their estimated useful lives of 3 to 28 years.

2.12 Impairment of non-financial assets

Goodwill that has an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.13 Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (the "FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (the "FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.13 Investments and other financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated income statement and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement and presented net within other gains, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.13 Investments and other financial assets (continued)

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

2.15 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- The amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.16 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.17 Inventories

Raw materials and stores

Raw materials and stores are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.18 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 16 for further information about the Group's accounting for trade and other receivables and note 3.1(c) for a description of the Group's impairment policies.

2.19 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.21 Perpetual Capital Securities

Perpetual Capital Securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity, as described in note 23.

2.22 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.23 Borrowings (continued)

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax and land appreciation tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.24 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.25 Employee benefits (continued)

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, if any, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2.26 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.26 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made with the Group companies. The Group recognises revenue of each activities as described below.

(a) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the purchaser;
- creates and enhances an asset that the purchaser controls as the Group performs;
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (continued)

(b) Property management services and value-added services

Revenue from property management services (including property management services under commission basis or lump sum basis) and value-added services (including pre-delivery services, household assistance services, property agency services and other services) is recognised when services are rendered.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group entitles to revenue at the value of property management services fee received or receivable by the properties and recognises all related property management costs as its cost of services. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner and is arranging and monitoring the services as provided by other suppliers to the property owners, the Group entitles revenue at a pre-determined percentage of the property management fee received or receivable by the properties.

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary are recognised in the accounting period in which the services are rendered.

(d) Rental income

Rental income from investment properties under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of lease.

(e) Interest income

Interest income from financial assets at FVPL is included in the fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in "other income".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(f) Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (continued)

(g) Environmental protection income

Revenue arising from environmental protection is recognised in the accounting period in which environmental protection services are rendered.

(h) Construction income

Revenue from construction related to work on assets under the control of the customer which the Group's construction activities create or enhance an asset under the customer's control, is recognised progressively over time using output method based on direct measurements of the value of services delivered or surveys of work performed. Revenue from franchise construction is recognised over time by measuring the progress towards complete satisfaction of the services. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(i) Design service and project management service income

Revenue from design service and project management services is recognised progressively over time using output method based on direct measurements of the value of services delivered or surveys of work performed.

(j) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.28 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases were classified as operating leases. Payments (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.28 Leases (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.28 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

The Group leases various land use rights, offices, transportation equipment and other equipment. Rental contracts are typically made for fixed periods of 3 months to 28 years. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise staff dormitory and small items of office furniture.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes except for those with land use right certification.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.30 Insurance contracts

An insurance contract is a contract under which one party (the “insurer”) accepts significant insurance risk from another party (the “policyholder”) by agreeing to compensate the policyholder if a specified uncertain future event (the “insured event”) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.32 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC. The Group finances its operations from shareholders' fund, sales of properties, issuance of senior notes, bank and other borrowings and perpetual capital securities. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Currency risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, senior notes, bank borrowings and syndicated loans are in other currencies. As at 31 December 2019, major non-RMB assets and liabilities are cash and cash equivalents, senior notes, bank borrowings and syndicated loans denominated in HK dollar ("HK\$"), US dollar ("US\$") and Macao Pataca ("MOP"). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has entered into several forward exchange contracts to limit its exposure to foreign exchange risk during the year ended 31 December 2019.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group	
	2019	2018
Monetary assets		
– HK\$	3,202,132	522,538
– US\$	4,059,171	2,492,297
	7,261,303	3,014,835
Monetary liabilities		
– HK\$	21,999,374	21,618,629
– US\$	19,220,080	14,405,428
– MOP	1,599,195	–
	42,818,649	36,024,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(a) Currency risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/(decrease) in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	Group	
	2019	2018
5% increase in RMB against HK\$	940,720	1,055,467
5% decrease in RMB against HK\$	(940,720)	(1,055,467)
5% increase in RMB against US\$	761,140	600,441
5% decrease in RMB against US\$	(761,140)	(600,441)
5% increase in RMB against MOP	79,960	–
5% decrease in RMB against MOP	(79,960)	–

(b) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings with variable rates expose the Group to cash flow interest-rate risk. Borrowings with fixed rate, mainly included senior notes, bonds and other borrowings, expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure.

As at 31 December 2019 and 2018, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2019 and 2018 would increase or decrease by RMB502,957,000 and RMB487,634,000 respectively, mainly as a result of higher or lower interest expense on floating rate borrowings.

(c) Credit risk

The Group is exposed to credit risk in relation to its contract asset, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

For contract assets and trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counter parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

- (i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

- (ii) *Contract assets and trade and other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests)*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables. To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

(ii) *Contract assets and trade and other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests) (continued)*

As at 31 December 2019, the Group has assessed that the expected loss rate for other receivables from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognised.

The Group uses the expected credit loss model to determine the expected loss provision for other receivables (excluding prepayments, prepaid value added taxes and other receivables from related parties and non-controlling interests). As at 31 December 2019, the Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

On that basis, as at 31 December 2019, the loss allowance provision for the contract assets and trade receivables was determined as follow. The expected credit losses below also incorporated forward looking information.

	Current	Up to 3 months	3 months to 1 year	1 to 2 years	Over 2 years	Total
At 31 December 2019						
Expected loss rate	–	0.10%~1%	1%~2%	5%~10%	10%~50%	
Gross carrying amount						
– trade receivables	5,024,488	1,642,589	725,843	253,731	155,386	7,802,037
Gross carrying amount						
– contract assets	1,262,681	62,494	55,552	–	–	1,380,727
Loss allowance						
– trade receivables	–	7,721	13,563	18,183	33,973	73,440
Loss allowance						
– contract assets	–	62	1,109	–	–	1,171
At 31 December 2018						
Expected loss rate	–	0.10%~1%	1%~2%	5%~10%	10%~50%	
Gross carrying amount						
– trade receivables	6,071,782	226,542	234,262	75,578	101,398	6,709,562
Gross carrying amount						
– contract assets	410,921	20,209	17,964	–	–	449,094
Loss allowance						
– trade receivables	–	227	4,205	6,685	20,952	32,069
Loss allowance						
– contract assets	–	20	359	–	–	379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

As at 31 December 2019 the loss allowance provision for trade and other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests) reconciles to the opening loss allowance for that provision as follows:

	Contract assets and trade receivables	Other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests)	Total
At 1 January 2019	32,448	92,409	124,857
Impact of acquisition of subsidiaries	15,895	2,864	18,759
Provision for loss allowance recognised in profit or loss	38,317	164,459	202,776
Unused amounts reversed	(12,049)	(41,153)	(53,202)
At 31 December 2019	74,611	218,579	293,190

As at 31 December 2019, the gross carrying amount of contract assets and trade and other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests) was RMB22,208,716,000 and thus the maximum exposure to loss was RMB21,915,526,000.

(d) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing etc. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk (continued)

The table below analyses the Group's financial liabilities maturity profile and derivative financial instruments at the balance sheet date. The amounts disclosed thereon are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2019					
Non-derivatives					
Borrowings	46,897,886	31,348,066	24,681,720	4,800,165	107,727,837
Trade and other payables(*)	45,838,189	2,201,976	–	–	48,040,165
Total non-derivatives	92,736,075	33,550,042	24,681,720	4,800,165	155,768,002
Derivatives					
Gross settled (forward foreign exchange contracts)					
– (inflow)	(52,862)	(3,418)	–	–	(56,280)
– outflow	106,546	16,074	–	–	122,620
	53,684	12,656	–	–	66,340
At 31 December 2018					
Non-derivatives					
Borrowings	40,650,890	22,107,420	30,333,674	7,415,012	100,506,996
Trade and other payables(*)	36,439,895	–	–	–	36,439,895
Total non-derivatives	77,090,785	22,107,420	30,333,674	7,415,012	136,946,891
Derivatives					
Gross settled (forward foreign exchange contracts)					
– (inflow)	(99,948)	(476)	–	–	(100,424)
– outflow	107,140	6,620	–	–	113,760
	7,192	6,144	–	–	13,336

* Excluding staff welfare benefit payable, other taxes payable and advance from disposal of subsidiaries.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(e) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVPL.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity

The table below summarises the impact of increases/(decreases) of price of the stocks, which the Group purchased, on the Group's post-tax profit for the period. The analysis is based on that the stock price increased by 5% and 10% respectively or decreased by 5% and 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	Impact on post-tax profit	
	2019	2018
Price of each stock – increase 5%	9,085	137,616
Price of each stock – decrease 5%	(9,085)	(137,616)
Price of each stock – increase 10%	18,170	275,231
Price of each stock – decrease 10%	(18,170)	(275,231)

Post-tax profit for the year would increase/(decrease) as a result of gains/(losses) on equity securities classified as at FVPL.

3.2 Capital risk management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any returns to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current borrowings and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.2 Capital risk management (continued)

	2019	2018
Total borrowings (note 24)	96,669,702	88,529,357
Less: cash and cash equivalents (note 19)	(33,551,303)	(35,776,231)
restricted cash (note 18)	(9,003,578)	(9,285,376)
Net borrowings	54,114,821	43,467,750
Total equity	65,336,476	54,980,933
Gearing ratio	82.8%	79.1%

The increase in the gearing ratio during the year ended 31 December 2019 was primarily resulted from the increase in borrowings.

3.3 Fair value estimation

(a) Fair value hierarchy

At 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
– Hong Kong listed equity securities and debt instruments	181,691	–	–	181,691
– Unlisted equity securities	–	–	326,084	326,084
– Wealth management products	–	–	430,083	430,083
– Others	–	–	70,173	70,173
Financial assets at FVOCI				
– Hong Kong listed equity securities	262,036	–	–	262,036
Total financial assets	443,727	–	826,340	1,270,067
Financial liabilities				
Financial liabilities at FVPL				
– Derivative financial instruments	–	66,340	–	66,340
– Put options	–	–	70,436	70,436
Total financial liabilities	–	66,340	70,436	136,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

At 31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
– Hong Kong listed equity securities and debt instruments	2,752,310	–	–	2,752,310
– Unlisted equity securities	–	–	459,721	459,721
– Wealth management products	–	–	20,000	20,000
Total financial assets	2,752,310	–	479,721	3,232,031
Financial liabilities				
Financial liabilities at FVPL				
– Derivative financial instruments	–	13,336	–	13,336
Total financial liabilities	–	13,336	–	13,336

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2019.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 1 and 2 except for unlisted equity securities and wealth management products explained in (c) below.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the years ended 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Opening balance	479,721	277,500
Additions	35,215,944	25,333,568
Gains recognised in other gains, net	98,664	203,033
Disposal	(139,188)	–
Addition through business combinations (note 39)	16,411	–
Transfer to Hong Kong listed equity securities due to listing of the investee	–	(160,000)
Redemption of wealth management products	(34,845,212)	(25,174,380)
Closing balance	826,340	479,721

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments included the unlisted equity securities, wealth management products and others (note 17). As the investments are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using capital asset pricing models to calculate the pre-tax rates that reflect current market assessments of the time values of money and the risk specific to the assets.
- Earnings growth factor for unlisted equity securities and wealth management products: these are estimated based on market information for similar types of companies and products.
- Expected cash inflows: these are estimated based on the terms of the sale contracts, the entity's knowledge of the business and how the current economic environment is likely to impact them.

(d) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable and payable is either close to current market rates or the instruments are short-term in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2019, a provision for completed properties held for sale of RMB706,290,000 (2018: RMB677,738,000), a provision for properties under development of RMB1,561,682,000 (2018: RMB1,264,729,000) and a provision for long-term asset held for hotel operation of RMB154,376,000 were made (2018: nil).

(b) Fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (continued)

(b) Fair value of investment properties (continued)

- (iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 7.

(c) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) Recoverability of contract assets and trade and other receivables

The management assesses on a forward looking basis the expected credit losses associated with its contract assets and trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The allowance are applied to these contract assets and receivables where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and impairment charge in the periods in which such estimate has been changed.

As at 31 December 2019, the provision for impairment of contract asset and trade and other receivables is RMB293,190,000 (2018: RMB124,857,000).

(f) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2.11 and 2.12, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in note 10.

(g) Estimation of the amount payable under residual value guarantees

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

(h) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information

(a) Description of segments and principal activities

The executive directors of the Company, which are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into five business segments: property development, property management, hotel operations, property investment and environmental protection. The associates and joint ventures of the Group are principally engaged in property development, property management and environmental protection and are included in the property development, property management and environmental protection segment respectively. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC. Most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Analysis of revenue from external customers by the category for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
Sales of developed properties	54,177,160	52,487,664
Property management services	3,577,311	2,132,813
Hotel operations	801,742	721,667
Rental income from investment properties	172,630	189,045
Environmental protection services	1,510,254	613,737
	60,239,097	56,144,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (continued)

Segment information provided to the executive directors of the Company for the reporting segments for the years ended 31 December 2019 and 2018 are as follows:

Year ended 31 December 2019

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Gross segment sales	54,177,160	5,127,293	801,742	172,630	1,510,254	–	61,789,079
Inter-segment sales	–	(1,549,982)	–	–	–	–	(1,549,982)
Sales to external customers	54,177,160	3,577,311	801,742	172,630	1,510,254	–	60,239,097
Timing of revenue recognition							
– At a point in time	50,808,866	11,179	–	–	33,406	–	50,853,451
– Over time	3,368,294	3,566,132	801,742	172,630	1,476,848	–	9,385,646
Fair value gains on investment properties (note 7)	–	–	–	117,070	–	–	117,070
Operating profit/(loss)	16,491,288	1,385,038	(351,411)	180,054	334,783	–	18,039,752
Share of post-tax profit of investments accounted for using the equity method (note 11)	1,053,637	22,635	–	–	9,974	–	1,086,246
Segment result	17,544,925	1,407,673	(351,411)	180,054	344,757	–	19,125,998
Finance costs, net (note 33)							(2,529,824)
Profit before income tax							16,596,174
Income tax expenses (note 34)							(7,362,928)
Profit for the year							9,233,246
Depreciation	336,392	37,899	306,130	–	90,340	–	770,761
Amortisation of intangible assets	12,294	48,433	880	–	33,998	–	95,605
Write-down of properties under development, completed properties held for sale and property, plant and equipment	325,505	–	154,376	–	–	–	479,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (continued)

Year ended 31 December 2018

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Gross segment sales	52,487,664	3,376,749	721,667	189,045	613,737	–	57,388,862
Inter-segment sales	–	(1,243,936)	–	–	–	–	(1,243,936)
Sales to external customers	52,487,664	2,132,813	721,667	189,045	613,737	–	56,144,926
Timing of revenue recognition							
– At a point in time	51,668,575	4,195	–	–	–	–	51,672,770
– Over time	819,089	2,128,618	721,667	189,045	613,737	–	4,472,156
Fair value gains on investment properties (note 7)	–	–	–	1,952,355	–	–	1,952,355
Operating profit/(loss)	18,952,097	1,076,280	(127,848)	2,020,407	197,418	–	22,118,354
Share of post-tax (loss)/profit of investments accounted for using the equity method (note 11)	(5,832)	(68)	–	–	32,998	–	27,098
Segment result	18,946,265	1,076,212	(127,848)	2,020,407	230,416	–	22,145,452
Finance costs, net (note 33)							(2,744,353)
Profit before income tax							19,401,099
Income tax expenses (note 34)							(11,043,282)
Profit for the year							8,357,817
Depreciation	192,439	10,121	280,794	–	31,161	–	514,515
Amortisation of land use rights and intangible assets	16,805	23,302	48,670	–	5,177	–	93,954
Write-down of properties under development and completed properties held for sale	1,489,770	–	–	–	–	–	1,489,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (continued)

Segment assets and liabilities and capital expenditure as at 31 December 2019 are as follow:

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Segment assets	224,299,039	8,618,143	11,475,325	8,495,950	17,433,296	(5,788,236)	264,533,517
Unallocated assets							8,698,308
Total assets							273,231,825
Segment assets include: Investments accounted for using the equity method (note 11)	13,907,604	583,634	–	–	219,951	–	14,711,189
Segment liabilities	75,791,172	2,479,562	4,060,271	16,612	13,787,002	(5,788,236)	90,346,383
Unallocated liabilities							117,548,966
Total liabilities							207,895,349
Capital expenditure	1,007,291	718,523	368,150	52,430	4,218,372	–	6,364,766

Segment assets and liabilities and capital expenditure as at 31 December 2018 are as follow:

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Segment assets	192,769,689	7,280,920	8,432,727	8,804,220	6,955,524	(1,628,423)	222,614,657
Unallocated assets							7,831,130
Total assets							230,445,787
Segment assets include: Investments accounted for using the equity method (note 11)	9,710,362	422	–	–	377,569	–	10,088,353
Segment liabilities	59,113,638	1,558,055	3,449,498	18,839	5,511,922	(1,628,423)	68,023,529
Unallocated liabilities							107,441,325
Total liabilities							175,464,854
Capital expenditure	356,805	100,326	108,331	–	1,339,968	–	1,905,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2019 as follows:

	Assets	Liabilities
Segment assets/liabilities	264,533,517	90,346,383
Unallocated:		
Deferred income taxes	1,350,770	3,179,780
Prepaid income taxes	6,077,471	–
Financial assets at FVPL	1,008,031	–
Financial assets at FVOCI	262,036	–
Financial liabilities at FVPL	–	136,776
Current income tax liabilities	–	17,562,708
Current borrowings	–	42,297,082
Non-current borrowings	–	54,372,620
Total	273,231,825	207,895,349

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2018 as follows:

	Assets	Liabilities
Segment assets/liabilities	222,614,657	68,023,529
Unallocated:		
Deferred income taxes	1,433,982	1,884,085
Prepaid income taxes	3,165,117	–
Financial assets at FVPL	3,232,031	–
Derivative financial instruments	–	13,336
Current income tax liabilities	–	17,014,547
Current borrowings	–	35,332,872
Non-current borrowings	–	53,196,485
Total	230,445,787	175,464,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December 2019	As at 31 December 2018
Current contract assets relating to properties sale contracts	583,676	449,094
Current contract assets relating to construction contracts	797,051	–
Loss allowance	(1,171)	(379)
Total contract assets	1,379,556	448,715

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, land use rights, right-of-use assets, intangible assets, properties under development, completed properties held for sale, investment properties, receivables, contract assets and cash balances. Unallocated assets comprise deferred income tax assets, prepaid income taxes, financial assets at FVOCI and financial assets at FVPL. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings and financial liabilities at FVPL.

Capital expenditure comprises additions to property, plant and equipment, land use rights, right-of-use assets, investment properties and intangible assets.

(c) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December 2019	As at 31 December 2018
Contract liabilities		
– Related parties (note 43(c))	44,094	3,530
– Third parties	33,591,856	25,486,028
	33,653,950	25,489,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(c) Contract liabilities (continued)

- (i) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	As at 1 January 2019	As at 1 January 2018
Revenue recognised that was included at the beginning of the year		
Sales of properties	25,094,077	13,971,386
Property management services and value-added services	395,481	256,644
	25,489,558	14,228,030

(iii) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities as of 31 December 2019 and 31 December 2018.

(d) Assets recognised from incremental costs to obtain a contract

During the year ended 31 December 2019, there was no significant incremental costs to obtain a contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
At 31 December 2017						
Cost	7,412,424	185,215	200,852	300,402	1,569,045	9,667,938
Accumulated depreciation	(1,636,480)	(150,898)	(167,946)	(139,577)	–	(2,094,901)
Net book amount	5,775,944	34,317	32,906	160,825	1,569,045	7,573,037
Year ended 31 December 2018						
Opening net book amount	5,775,944	34,317	32,906	160,825	1,569,045	7,573,037
Additions	36,033	239,630	57,999	17,358	772,550	1,123,570
Revaluation surplus (note (c))	348,148	–	–	–	–	348,148
Acquisition of subsidiaries	23,759	9,199	2,005	8,851	480,928	524,742
Transfer from completed construction projects	124,784	214	569	13,800	(139,367)	–
Transfer from investment properties (note 7)	176,920	–	–	–	–	176,920
Transfer to investment properties (note (c))	(400,528)	–	–	–	–	(400,528)
Transfer to properties under development	(51,623)	–	–	–	–	(51,623)
Disposals	(15,906)	(3,616)	(2,186)	(3,918)	(598)	(26,224)
Depreciation	(437,207)	(34,444)	(23,798)	(19,066)	–	(514,515)
Closing net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
At 31 December 2018						
Cost	7,659,764	403,640	186,691	327,396	2,682,558	11,260,049
Accumulated depreciation	(2,079,440)	(158,340)	(119,196)	(149,546)	–	(2,506,522)
Net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
Year ended 31 December 2019						
Opening net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
Additions	96,096	28,731	71,997	108,534	1,607,965	1,913,323
Acquisition of subsidiaries (note 39)	481,829	22,344	7,848	299,252	1,065,535	1,876,808
Transfer from completed construction projects	486,338	–	449	120,429	(607,216)	–
Transfer from investment properties (note 7)	420,000	–	–	–	–	420,000
Transfer to properties under development	(25,783)	–	–	–	–	(25,783)
Transfer to assets held for sale (note (f))	–	–	–	–	(276,021)	(276,021)
Disposals	(23,856)	(205,091)	(2,765)	(3,806)	(893)	(236,411)
Depreciation	(463,126)	(21,304)	(31,276)	(53,405)	–	(569,111)
Impairment loss (note (e))	(154,376)	–	–	–	–	(154,376)
Closing net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956
At 31 December 2019						
Cost	9,114,760	234,779	259,237	868,112	4,471,928	14,948,816
Accumulated depreciation	(2,562,938)	(164,799)	(145,489)	(219,258)	–	(3,092,484)
Impairment loss	(154,376)	–	–	–	–	(154,376)
Net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment (Continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	2019	2018
Cost of sales	343,614	363,308
Selling and marketing costs	38,901	37,552
Administrative expenses	186,596	113,655
	569,111	514,515

Notes:

- (a) As at 31 December 2019, buildings of RMB2,347,883,000 (2018: RMB2,527,699,000) were pledged as collateral for the Group's borrowings (note 24).
- (b) During the year ended 31 December 2019, the Group has capitalised borrowing costs amounting to RMB128,196,000 (2018: RMB5,435,000) on property, plant and equipment. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 7.54% (2018: 7.27%).
- (c) During the year ended 31 December 2018, certain property, plant and equipment of RMB400,528,000 and land use right of RMB23,073,000 were transferred to investment property on the inception of operating lease with a revaluation surplus of RMB348,148,000 in the date transferred, which the corresponding revaluation surplus net of tax were recorded in other comprehensive income and consolidated balance sheet respectively of RMB261,111,000 and the deferred tax liabilities of RMB87,037,000.
- (d) Buildings mainly represent the office buildings and hotel buildings. Constructions in progress mainly represent construction costs and other costs incurred for the construction of environmental factories and equipment.
- (e) As at 31 December 2019, a provision of RMB154,376,000 was made to write down the long-term assets held for hotel operation (2018: nil).
- (f) In December 2019, the Group has signed an agreement with a third party to sell a hotel building under construction. As at 31 December 2019, the transaction has not been completed thus the hotel building was reclassified as assets held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties

	2019	2018
Opening net book amount	8,804,220	5,886,604
Capitalised subsequent expenditure	52,430	–
Disposals	(57,770)	–
Transfer from completed properties held for sale (note (h))	–	718,580
Transfer from property, plant and equipment (note 6(c))	–	400,528
Transfer from land use rights (note 8)	–	23,073
Transfer to property, plant and equipment (note (ii))	(420,000)	(176,920)
Revaluation gains recognised in consolidated income statement	117,070	1,952,355
Closing net book amount	8,495,950	8,804,220
Investment properties:		
– Completed investment properties	7,205,050	7,550,320
– Investment properties under construction	1,290,900	1,253,900
Total	8,495,950	8,804,220

Notes:

- (a) The investment properties are located in the PRC and are held on lease of between 40 to 70 years.
- (b) Amounts recognised in the consolidated income statement for investment properties:

	2019	2018
Rental income	172,630	189,045
Direct operating expenses of investment properties that generated rental income	(91,954)	(95,396)
Direct operating expenses of investment properties that did not generate rental income	(17,690)	(25,598)
	62,986	68,051

As at 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: nil).

- (c) Fair value hierarchy

As at 31 December 2019 and 2018, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (continued)

(d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the executive directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Valuation techniques

Fair values of completed commercial properties and commercial properties under development are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (continued)

(e) Valuation techniques

	Description	Location	Fair value as at 31 December 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	6,955,850	Income capitalisation	Term yields	4%
					Reversionary yields	4%~7%
					Market rents (RMB/square meter/month)	30~998
	Car park	PRC	249,200	Direct comparison method	Market price (RMB/square meter)	3,327~8,407
Investment properties under construction	Retail shop	PRC	1,290,900	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/square meter/month)	41~199
					Reversionary yields	5%
					Discount rate	6%
	Description	Location	Fair value as at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	7,301,120	Income capitalisation	Term yields	4%
					Reversionary yields	4%~7%
					Market rents (RMB/square meter/month)	30~972
	Car park	PRC	249,200	Direct comparison method	Market price (RMB/square meter)	3,327~8,407
Investment properties under construction	Retail shop	PRC	1,253,900	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/square meter/month)	41~197
					Reversionary yields	5%
					Discount rate	6%

There are inter-relationships between unobservable inputs.

For office and retail shop, increase in term yields and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

For investment properties under construction, increase in budgeted construction costs to be incurred may result in decrease in fair value. Increase in revisionary yields and discount rate may result in decrease of fair value. Increase in market rent may result in increase of fair value.

There are no changes to the valuation technique during the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (continued)

- (f) Investment properties pledged as security

As at 31 December 2019, investment properties of RMB5,388,000,000 (2018: RMB5,854,120,000) and certain rights of receiving rental income were pledged as collateral for the Group's borrowings (note 24).

- (g) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 42.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

- (h) During the year ended 31 December 2018, certain retail shops were transferred from the completed properties held for sale to investment properties (2019: nil).
- (i) During the year ended 31 December 2019, certain floor areas of office buildings were transferred from investment properties to property, plant and equipment as the Group started to occupy such areas as office.

8 Land use rights

	2019	2018
At 1 January	2,039,236	2,073,655
Adoption of HKFRS 16 as at 1 January 2019	(2,039,236)	–
Additions	–	30,522
Acquisition of subsidiaries	–	90,586
Transfer to properties under development	–	(57,449)
Transfer to investment properties (note 7)	–	(23,073)
Disposals	–	(13,349)
Amortisation		
– Capitalised in construction in progress	–	(5,411)
– Recognised as cost of sales (note 31)	–	(41,222)
– Recognised as expenses (note 31)	–	(15,023)
	–	2,039,236

Notes:

- (a) Land use rights comprise cost of acquiring usage rights of certain land, which are located in the PRC, held on leases of over 40 years, and mainly for hotel properties or self-used buildings over fixed periods. On adoption of HKFRS16, the Group has reclassified the land use rights as right-of-use assets as at 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

9 Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

	31 December 2019	1 January 2019
Right-of-use assets		
Land use rights (note (i))	2,411,264	2,059,564
Property, plant and equipment	665,945	174,046
	3,077,209	2,233,610
Lease liabilities		
Current	182,411	73,076
Non-current	390,326	121,298
	572,737	194,374

- (i) The Group has land lease arrangement with mainland China government.
- (ii) Additions to the right-of-use assets during the 2019 financial year were RMB1,107,398,000.
- (iii) As at 31 December 2019, land use rights of RMB1,299,379,000 (2018: RMB1,285,839,000) were pledged as collateral for the Group's borrowings (note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

9 Lease (Continued)

(b) Amount recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases.

	2019	2018
Depreciation charge of right-of-use assets		
Land use rights	66,580	—
Buildings and equipment	135,057	—
Others	13	—
	201,650	—
Interest expense (included in finance cost)	37,006	—
Expense relating to short-term leases and leases of low-value assets (included in cost of goods sold and administrative expenses)	48,020	—

The total cash outflow for leases in 2019 was RMB333,497,000.

(c) The Group's leasing activities and how these are accounted for

The Group leases various land use rights, offices, transportation equipment and other equipment. Rental contracts are typically made for fixed periods of 3 months to 30 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes except for those with land use right certification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

10 Intangible assets

	Computer software	Trademarks	Operating concessions	Customer relationship	Other intangible assets subtotal	Goodwill (note b)	Total
At 31 December 2017							
Cost	136,348	18,000	–	77,000	231,348	1,303,095	1,534,443
Accumulated amortisation	(69,457)	(1,800)	–	(4,813)	(76,070)	–	(76,070)
Net book amount	66,891	16,200	–	72,187	155,278	1,303,095	1,458,373
Year ended 31 December 2018							
Opening net book amount	66,891	16,200	–	72,187	155,278	1,303,095	1,458,373
Additions	10,900	–	–	–	10,900	–	10,900
Acquisition of subsidiaries (note (c))	6,169	52,081	–	66,860	125,110	538,518	663,628
Amortisation (note (a))	(11,364)	(4,293)	–	(16,641)	(32,298)	–	(32,298)
Closing net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
At 31 December 2018							
Cost	153,417	70,081	–	143,860	367,358	1,841,613	2,208,971
Accumulated amortisation	(80,821)	(6,093)	–	(21,454)	(108,368)	–	(108,368)
Net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
Year ended 31 December 2019							
Opening net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
Additions	14,586	–	360,230	–	374,816	–	374,816
Acquisition of subsidiaries (note (c), note 39)	8,663	59,825	625,266	346,237	1,039,991	2,055,442	3,095,433
Amortisation (note (a))	(15,794)	(15,834)	(13,465)	(50,512)	(95,605)	–	(95,605)
Closing net book amount	80,051	107,979	972,031	418,131	1,578,192	3,897,055	5,475,247
At 31 December 2019							
Cost	176,666	129,906	985,496	490,097	1,782,165	3,897,055	5,679,220
Accumulated amortisation	(96,615)	(21,927)	(13,465)	(71,966)	(203,973)	–	(203,973)
Net book amount	80,051	107,979	972,031	418,131	1,578,192	3,897,055	5,475,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

10 Intangible assets (Continued)

Notes:

- (a) Amortisation expenses were charged to the following categories in the consolidated income statement:

	2019	2018
Cost of sales	75,457	19,395
Selling and marketing costs	628	817
Administrative expenses	19,520	12,086
	95,605	32,298

- (b) The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill as at 31 December 2019 was comprised of the followings:

	2019	2018
Goodwill arising from acquisition of property management companies	1,370,927	1,045,362
Goodwill arising from acquisition of environmental protection companies	2,366,306	688,734
Goodwill arising from other acquisitions	159,822	107,517
	3,897,055	1,841,613

- (c) Intangible assets through acquisition of subsidiaries

An independent valuation was performed by an independent valuer to determine the amount of the trademarks, customer relationship and operating concessions. Methods and key assumptions in determining the fair value of trademarks, customer relationship and operating concessions as at acquisition date are disclosed as follows:

	Valuation technique	Discount rate	Expected life of the intangible assets as at 31 December 2019
Trademarks	Discounted cash flow	16.6-19.8%	5-20 years
Customer relationship	Discounted cash flow	18.3-19.8%	6-10 years
Operating concessions	Discounted cash flow	3.3-17.3%	3-28 years

As at 31 December 2019, management performed an impairment assessment on the goodwill and other intangible assets. The recoverable amounts have been determined based on value-in-use calculation. The calculation used cash flow projections on financial budgets covering a five-year period for property management companies, environmental protection companies approved by management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

10 Intangible assets (Continued)

Notes: (continued)

(c) Intangible assets through acquisition of subsidiaries (continued)

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2019 and 2018:

	Property management companies	Environmental protection companies	Others
As at 31 December 2019			
Compound annual growth rate of revenue during the projection period (%)	3%-41%	3%-77%	3%-17%
EBITDA margin during the projection period (%)	9%-20%	9%-87%	8%-21%
Long term growth rate (%)	3%	3%	3%
Pre-tax discount rate (%)	20%-23%	18%	17%-25%
As at 31 December 2018			
Compound annual growth rate of revenue during the projection period (%)	11%-46%	5%-77%	3%-20%
EBITDA margin during the projection period (%)	14%-16%	16%-70%	9%-14%
Long term growth rate (%)	3%	3%	3%
Pre-tax discount rate (%)	19%-21%	16%	20%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Compound annual growth rate of revenue	Based on past performance and management's expectations of market development. For Greenland Property Services, year-on-year increment in projected revenue is mainly attributable to the estimated incremental gross floor area committed by Greenland Holdings according to the investment cooperation framework agreement.
EBITDA margin	Based on past performance and management's expectations for the future.
Average trade receivables turnover days	Based on past performance and management's expectations for the future.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.
Pre-tax discount rate	Reflect specific risks relating to the relevant cash-generating units

As at 31 December 2019, the recoverable amount of RMB 1,299 million of the property management business operated by Greenland Property Services Co., Ltd., the subsidiary of the Group, calculated based on value-in-use exceeded its carrying value of RMB 1,148 million by RMB 151 million. Decrease by 4.12 percentage points in compound annual growth rate of revenue, decrease by 1.97 percentage points in estimated EBITDA margin, decrease by 3.69 percentage points in estimated long term growth rate, increase by 39.6 days in estimated average trade receivables turnover days or increase by 2.06 percentage points in estimated pre-tax discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom.

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2019, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2019 (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

11 Investments accounted for using equity method

The directors of the Group consider that none of the associates and the joint ventures as at 31 December 2019 and 31 December 2018 was significant to the Group and thus the individual financial information of the associates and the joint ventures was not disclosed. The summarised financial information of individually immaterial associates and joint ventures on an aggregate basis is as follows:

The movement of the interests in the associates and the joint ventures during the year is as follows:

	2019	2018
Balance as at 1 January	10,088,353	7,005,735
Additions	2,103,494	3,055,520
Addition through business combination (note 39)	9,915	–
Transfer from a subsidiary (note 37)	2,706,776	–
Transfer to a subsidiary (note (a) and note 39)	(1,834,305)	–
Remeasurement gains on the investment in joint venture (note (a) and note 28)	579,449	–
Share of post-tax profits	1,086,246	27,098
Dividends received	(28,739)	–
Balance as at 31 December	14,711,189	10,088,353

The aggregate amounts of the Group's shares of the investments accounted for using the equity method are as follows:

	2019	2018
Gains from continuing operations	1,086,246	27,098
Total comprehensive income	1,086,246	27,098

Notes:

- (a) As at 31 December 2019, the Group acquired additional 50% equity interests in a joint venture from the other independent shareholder of the joint venture at the considerations of RMB1,834,305,000 in total. Upon the completion of the acquisition, the joint venture became a wholly owned subsidiary of the Group with a remeasurement gains on the investment in joint venture recognised in amount of RMB579,449,000 (note 28).

As at 31 December 2019, the Group's shares of losses of certain investment companies exceeds its interests in the underlying entities, and the unrecognised share of losses of the associates amounted to RMB169,828,000 (31 December 2018: RMB193,282,000).

The contingent liabilities relating to the Group's investments accounted for using equity method are disclosed in note 40. There is no commitment relating to the Group's investments accounted for using equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

12 Properties under development

	2019	2018
Properties under development expected to be completed:		
– Within one operating cycle included under current assets	79,622,115	73,584,977
– Beyond one operating cycle included under non-current assets	31,742,993	16,936,396
	111,365,108	90,521,373
Properties under development comprise:		
– Construction costs and capitalised expenditures	22,578,415	16,621,623
– Capitalised interests	6,488,257	4,919,100
– Land use rights	82,298,436	68,980,650
	111,365,108	90,521,373

Most of the Group's properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings is 7.54% for the year ended 31 December 2019 (2018: 7.27%).

As at 31 December 2019, a provision of RMB1,561,682,000 was made to write down the properties under development (31 December 2018: RMB1,264,729,000).

As at 31 December 2019, land use rights included in the properties under development with net book value of RMB41,031,375,000 (2018: RMB38,935,943,000) were pledged as collateral for the Group's borrowings (note 24).

13 Completed properties held for sale

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2019, a provision of RMB706,290,000 was made to write down the completed properties held for sale (31 December 2018: RMB677,738,000).

As at 31 December 2019, completed properties held for sale of approximately RMB116,563,000 (2018: RMB94,341,000) were pledged as collateral for the Group's borrowings (note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

14 Financial instruments by category

Assets as per consolidated balance sheet

Financial assets	2019	2018
Financial assets at amortised cost		
– Trade and other receivables excluding prepaid value-added taxes and other taxes and prepayments	36,665,090	38,879,109
– Restricted cash	9,003,578	9,285,376
– Cash and cash equivalents	33,551,303	35,776,231
Financial assets at FVPL	1,008,031	3,232,031
Financial assets at FVOCI	262,036	–
	80,490,038	87,172,747

Liabilities as per consolidated balance sheet

Financial liabilities	2019	2018
Other financial liabilities at amortised cost		
– Borrowings	96,669,702	88,529,357
– Trade and other payables, excluding staff welfare benefit payable, other taxes payable and advances from disposal of subsidiaries	48,040,165	36,439,895
Lease liabilities	572,737	–
Financial liability at FVPL	136,776	13,336
	145,419,380	124,982,588

15 Prepayments for acquisition of land use rights

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 Trade and other receivables

	2019	2018
Trade receivables (note(a))		
– Associates (note 43(c))	41,829	–
– Joint ventures (note 43(c))	548,298	–
– Third parties	7,211,910	6,709,562
Less: allowance for impairment of trade receivables (note 3.1(c))	(73,440)	(32,069)
Total trade receivables	7,728,597	6,677,493
Other receivables due from:		
– Associates (note 43(c))	2,765,175	5,280,259
– Joint ventures (note 43(c))	11,545,060	13,516,462
– Other related parties (note 43(c))	193,728	195,484
– Non-controlling interests	1,633,207	1,272,542
– Third parties	12,173,705	10,911,505
Prepaid value-added taxes and other taxes	2,843,320	887,133
Deposits for acquisition of land use rights	844,197	1,117,773
Prepayments	1,033,784	479,686
Less: allowance for impairment of other receivables (note 3.1(c))	(218,579)	(92,409)
Total other receivables	32,813,597	33,568,435
Less: other receivables due from related parties and prepayments for non-current assets – non-current portion	(5,182,026)	(12,510,503)
Other receivables-current portion	27,631,571	21,057,932
Trade and other receivables-current portion	35,360,168	27,735,425

As at 31 December 2019, the fair value of trade and other receivables approximated their carrying amounts.

Notes:

- (a) Trade receivables mainly arose from sales of properties and provision of property management services. Trade receivables are settled in accordance with the terms stipulated in the property sale and purchase agreements or property management service agreements. As at 31 December 2019 and 2018, the ageing analysis of the trade receivables based on invoice date is as follows:

	2019	2018
Within 90 days	4,803,143	3,662,447
Over 90 days and within 365 days	2,283,793	2,350,270
Over 365 days	715,101	696,845
	7,802,037	6,709,562

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB73,440,000 was made against the gross amounts of trade receivables (2018: RMB32,069,000) (note 3.1(c)).

As at 31 December 2019, trade receivable of approximately RMB1,275,993,000 (31 December 2018: RMB1,519,914,000) were pledged as collateral for Group's borrowings (note 24(d)).

- (b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

17 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2019	2018
Current assets		
Hong Kong listed equity securities and debt instruments	181,691	2,752,310
Unlisted equity securities	326,084	459,721
Wealth management products	430,083	20,000
Others	70,173	–
	1,008,031	3,232,031

Notes:

(a) Amounts recognised in profit or loss

Increases in fair values of financial assets at FVPL amounting to RMB999,715,000 are recorded as “other gains, net” (note 28) in the consolidated income statements.

(b) Risk exposure and fair value measurements

Information about the Group’s exposure to price risk is provided in note 3.1(e). For information about the methods and assumptions used in determining fair value, please refer to note 3.3.

18 Restricted cash

As at 31 December 2019 and 2018, the Group’s restricted cash were mainly denominated in RMB. The conversion of the PRC Group entities’ RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2019 and 2018, restricted cash is mainly comprised of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

19 Cash and cash equivalents

	2019	2018
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	30,055,563	33,936,231
Short-term bank deposits	3,495,740	1,840,000
	33,551,303	35,776,231
Denominated in RMB (note (a))	26,066,124	33,061,738
Denominated in other currencies	7,485,179	2,714,493
	33,551,303	35,776,231

Note:

(a) The conversion of the PRC Group entities’ RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

20 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at 31 December 2019 and 2018	10,000,000,000	1,000,000			
Issued and fully paid share capital					
As at 31 December 2019 and 2018	3,917,047,500	391,705	400,253	3,021,630	3,421,883

21 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30% and second 30% Awarded Shares lapsed effective from 26 August 2015 and 23 August 2016 respectively. Following the confirmation that relevant vesting conditions have not been satisfied on 20 June 2017, the Board resolved in its meeting held on 28 August 2017 that the award of the remaining 40% Awarded Shares lapsed effective from 28 August 2017. The lapsed shares held in Share Award Scheme will not be cancelled. As at 31 December 2019, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (2018: RMB156,588,000), which was presented within equity in the consolidated balance sheet. For the year ended 31 December 2019, no expenses in relation to the Share Award Scheme were recognised in the consolidated income statement as the performance condition were not fulfilled and no awarded shares were vested (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

22 Other reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Translation reserve	Others	Total
Balance as at 1 January 2018	442,395	3,026,200	4,425	(2,687,620)	785,400
Transfer from retained earnings	–	124,310	–	–	124,310
Currency translation difference	–	–	(6,482)	–	(6,482)
Transaction with non-controlling interests	–	–	–	(21,670)	(21,670)
Capital injection by non-controlling interests (note (c))	–	–	–	1,462,313	1,462,313
Revaluation gain arising from property, plant and equipment transferred to investment properties, net of tax	–	–	–	261,111	261,111
Balance as at 31 December 2018	442,395	3,150,510	(2,057)	(985,866)	2,604,982
Balance as at 1 January 2019	442,395	3,150,510	(2,057)	(985,866)	2,604,982
Transfer from retained earnings	–	753,986	–	–	753,986
Currency translation difference	–	–	(1,117)	–	(1,117)
Redemption of Perpetual Capital Securities	–	–	–	(427,512)	(427,512)
Changes in the fair value of equity investments at FVOCI, net of tax	–	–	–	21,857	21,857
Acquisition of additional interests in subsidiaries	–	–	–	41,250	41,250
Put options granted during the acquisition of subsidiaries (note (d))	–	–	–	(62,179)	(62,179)
Balance as at 31 December 2019	442,395	3,904,496	(3,174)	(1,412,450)	2,931,267

Notes:

- (a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for the listing of Company on Hong Kong Stock Exchange.
- (b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.
- The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC subsidiaries.
- (c) A subsidiary of the Group, A-Living issued 333,334,000 H shares at a nominal value of RMB1.00 per share ("A-Living's New Issue"). Such shares were offered at HK\$12.3 per share and listed on the Main Board of the Hong Kong Stock Exchange on 9 February 2018. Net proceeds from A-Living's New Issue amounted to RMB3,199,343,000. The Company's equity interest in A-Living was diluted from 72% to 54% as a result of A-Living's New Issue and A-Living is still the subsidiary of the Company after its listing. The difference between the net proceeds from A-Living's New Issue and the carrying amount of the diluted net assets of RMB1,462,313,000 was recorded as a credit to the other reserves.
- (d) A-Living has granted put options to the non-controlling interests shareholder of its subsidiary, according to which, the non-controlling interests shareholder owned a right of put their shares in the subsidiary back on A-Living at the agreed price after certain period upon satisfaction of certain performance criteria of the subsidiary. The fair value of the put options was debited to the shareholders' equity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

23 Perpetual Capital Securities

On 18 January 2013, the Company issued subordinated perpetual capital securities (the “2013 Perpetual Capital Securities”) with the aggregate principal amount of US\$700,000,000. Net proceeds after deducting the issuance cost amounted to US\$687,432,500 (equivalent to approximately RMB4,321,938,000). The 2013 Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2013 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2013 Perpetual Capital Securities at the distribution rate as defined in the subscription agreement. On 18 July 2019, the Company redeemed all its outstanding 2013 Perpetual Capital Securities with an aggregate principal amount of US\$700,000,000 at the redemption amount being the outstanding principal amount of the 2013 Perpetual Capital Securities plus accrued distributions.

On 27 March 2018, the Company issued senior perpetual capital securities with the aggregate principal amount of US\$500,000,000. Net proceeds of the perpetual capital securities (the “2018 Perpetual Capital Securities I”) after deducting the issuance cost amounted to US\$491,539,000 (equivalent to approximately RMB3,107,957,000). The 2018 Perpetual Capital Securities I do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2018 Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2018 Perpetual Capital Securities I at the distribution rate as defined in the subscription agreement.

On 21 June 2018, the Company issued senior perpetual capital securities (the “2018 Perpetual Capital Securities II”) with the principal amount of US\$100,000,000. Net proceeds after deducting the issuance cost amounted to US\$98,005,000 (equivalent to approximately RMB627,151,000). The 2018 Perpetual Capital Securities II do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2018 Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2018 Perpetual Capital Securities II at the distribution rate as defined in the subscription agreement.

On 4 June 2019, the Company issued senior perpetual capital securities (the “2019 Perpetual Capital Securities”) with the principal amount of US\$700,000,000. Net proceeds after deducting the issuance cost amounted to US\$693,792,000 (equivalent to approximately RMB4,779,956,000). The 2019 Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2019 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2019 Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

23 Perpetual Capital Securities (Continued)

On 31 October 2019, the Company issued senior perpetual capital securities (the “2019 Perpetual Capital Securities II”) with the principal amount of US\$500,000,000. Net proceeds after deducting the issuance cost amounted to US\$496,558,000 (equivalent to approximately RMB3,497,619,000). The 2019 Perpetual Capital Securities II do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2019 Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2019 Perpetual Capital Securities II at the distribution rate as defined in the subscription agreement.

On 25 November 2019, the Company issued senior perpetual capital securities (the “2019 Perpetual Capital Securities III”) with the principal amount of US\$200,000,000. Net proceeds after deducting the issuance cost amounted to US\$198,730,000 (equivalent to approximately RMB1,399,798,000). The 2019 Perpetual Capital Securities III do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2019 Perpetual Capital Securities III are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2019 Perpetual Capital Securities III at the distribution rate as defined in the subscription agreement.

Movement of the Perpetual Capital Securities is as follows:

	Principal	Distribution	Total
Balance as at 1 January 2018	5,333,154	196,270	5,529,424
Issuance of Perpetual Capital Securities	3,735,108	–	3,735,108
Profit attributable to holders of Perpetual Capital Securities	–	676,906	676,906
Distribution made to holders of Perpetual Capital Securities	–	(595,347)	(595,347)
Redemption of Perpetual Capital Securities	(1,011,216)	–	(1,011,216)
Balance as at 31 December 2018	8,057,046	277,829	8,334,875
Balance as at 1 January 2019	8,057,046	277,829	8,334,875
Issuance of Perpetual Capital Securities	9,677,373	–	9,677,373
Profit attributable to holders of Perpetual Capital Securities	–	850,225	850,225
Distribution made to holders of Perpetual Capital Securities	–	(990,199)	(990,199)
Redemption of Perpetual Capital Securities (note (a))	(4,305,407)	–	(4,305,407)
Balance as at 31 December 2019	13,429,012	137,855	13,566,867

Note:

- (a) On 18 July 2019, the Company redeemed certain portion of the outstanding Perpetual Capital Securities at a redemption price of RMB4,810,120,000. No redemption premium was recognised in the consolidated income statement. The difference of RMB504,713,000 between the redemption price and the principal of the redeemed Perpetual Capital Securities was mainly attributable to exchange difference and RMB427,512,000 of those debited to other reserves while RMB77,201,000 debited to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings

	2019	2018
Borrowings included in non-current liabilities:		
Senior notes (note (a))		
– Senior notes issued in 2015 (“2015 Senior notes”) (note (a)(i))	3,468,738	3,404,973
– Senior notes issued in 2017 (“2017 Senior notes”) (note (a)(ii))	1,381,795	1,353,991
– Senior notes issued in 2018 (“2018 Senior notes I”) (note (a)(iii))	4,163,067	4,082,123
– Senior notes issued in 2018 (“2018 Senior notes II”) (note (a)(iv))	2,774,113	2,710,393
– Senior notes issued in 2019 (“2019 Senior notes”) (note (a)(v))	3,464,656	–
PRC corporate bonds (note (b))	8,567,219	8,556,251
Commercial mortgage backed securities (note (c))	4,084,182	4,073,272
Asset-backed securities (note (d))	904,408	1,054,866
Long-term syndicated loans		
– secured (note (e))	15,302,192	16,569,611
– unsecured (note (f))	1,513,829	3,189,536
Long-term bank borrowings		
– secured (note (e))	22,550,460	19,355,402
– unsecured (note (f))	9,123,273	7,702,072
Other borrowings		
– secured (note (e))	8,598,962	5,520,670
– unsecured (note (f))	1,189,710	1,002,295
Less: current portion of non-current borrowings	(32,713,984)	(25,378,970)
	54,372,620	53,196,485
Borrowings included in current liabilities:		
Short-term bank borrowings		
– secured (note (e))	2,495,166	1,778,944
– unsecured (note (f))	1,854,931	1,196,538
Short-term other borrowings		
– secured (note (e))	4,983,001	5,974,120
– unsecured (note (f))	250,000	1,004,300
Current portion of non-current borrowings	32,713,984	25,378,970
	42,297,082	35,332,872
Total borrowings	96,669,702	88,529,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

Notes:

(a) Senior Notes

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB4,393,620,000 as at 31 December 2019 (2018: RMB4,026,301,000).

(i) 2015 Senior Notes

On 21 May 2015, the Company issued 9% senior notes with an aggregated nominal value of US\$500,000,000 (equivalent to approximately RMB3,056,850,000) at 99.507% of the face value. The net proceeds, after deducting the issuance costs, amounted to US\$490,391,000 (equivalent to approximately RMB2,998,104,000). The 2015 Senior Notes will mature on 21 May 2020. The Company, at its option, can redeem all or a portion of the 2015 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(ii) 2017 Senior Notes

On 14 August 2017, the Company issued 5.125% senior notes with an aggregated nominal value of US\$200,000,000 (equivalent to approximately RMB1,332,020,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$196,125,000 (equivalent to approximately RMB1,306,210,000). The 2017 Senior Notes will mature on 14 August 2022. The Company, at its option, can redeem all or a portion of the 2017 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iii) 2018 Senior Notes I

On 18 July 2018, the Company issued 8.5% senior notes with an aggregated nominal value of US\$600,000,000 (equivalent to approximately RMB4,040,064,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$593,557,000 (equivalent to approximately RMB3,997,108,000). The 2018 Senior Notes I will mature on 18 July 2021. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes I at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iv) 2018 Senior Notes II

On 23 November 2018, the Company issued 9.5% senior notes with an aggregated nominal value of US\$400,000,000 (equivalent to approximately RMB2,772,240,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$394,533,000 (equivalent to approximately RMB2,734,182,000). The 2018 Senior Notes II will mature on 23 November 2020. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes II at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(v) 2019 Senior Notes

On 7 March 2019, the Company issued 6.7% senior notes with an aggregated nominal value of US\$500,000,000 (equivalent to approximately RMB3,355,500,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US\$495,429,000 (equivalent to approximately RMB3,324,823,000). The 2019 Senior Notes will mature on 7 March 2022. The Company, at its option, can redeem all or a portion of 2019 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

Notes: (continued)

(b) PRC Corporate Bonds

On 11 January 2016, a PRC subsidiary (the "Issuer") of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. On 14 January 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB12,228,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 11 January 2021 at the coupon rate of 6.95%.

On 29 July 2016, the Company issued 4.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on 29 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On 30 July 2018, the Company completed the repurchase and cancellation of 20,300,000 the non-public Domestic Corporate Bonds in an aggregate principal amount of RMB2,030,000,000. There are 9,700,000 Domestic Bonds in an aggregate principal amount of RMB970,000,000 outstandings.

On 11 October 2016, the Company issued 4.6% corporate bonds with an aggregate amount of RMB1,800,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000. On 11 October 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB570,000,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 11 October 2021 at the coupon rate of 6.90%.

On 11 October 2016, the Company issued 5.7% corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,192,500,000. The bonds will mature on 11 October 2023. The Company shall be entitled to adjust the coupon rate at the end of the fifth year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 12 July 2017, the Company issued 6.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,976,735,000. On 12 July 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB351,000,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 12 July 2020 at the coupon rate of 6.60%.

(c) Commercial Mortgage Backed Securities

A PRC subsidiary of the Company engaged in commercial property operation entered into Commercial Mortgage Backed Securities ("CMBS") arrangement with an assets management company by pledging of the receivables for certain properties under its operation as well as the building, the land use right and the investment property. On 10 April 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000, with an 18-year maturity, amongst which RMB500,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000.

(d) Panyu Asset-backed securities

A PRC subsidiary of the Company engaged in property development entered into Panyu asset-backed securities ("ABS") arrangement with an assets management company by pledging of the receivables for certain properties under its management. On 1 September 2017, the Panyu ABS was formally established with an aggregate nominal value of RMB1,111,500,000, with a 3-year maturity, amongst which RMB55,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,053,653,000. On 1 September 2019, the Company completed the repurchase and cancellation of the Panyu ABS in an aggregate principal amount of RMB151,424,000. There is Panyu ABS in an aggregate principal amount of RMB905,076,000 outstandings.

(e) As at 31 December 2019, the Group's borrowings were secured by certain of its cash, trade receivables, land use rights, self-used properties, completed properties held for sale, properties under development, investment properties and the shares of subsidiaries and equity interests.

(f) As at 31 December 2019, the unsecured borrowings of RMB13,931,743,000 were jointly guaranteed by certain subsidiaries of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2019	2018
6 months or less	37,252,232	28,420,199
6-12 months	18,219,867	19,357,155
1-5 years	41,197,603	40,752,003
	96,669,702	88,529,357

The carrying amounts of the borrowings with the respective effective interest rates:

	2019		2018	
	RMB'000	Effective interest rate	RMB'000	Effective interest rate
Senior notes	15,252,369	8.55%	11,551,480	8.47%
Borrowings excluding Senior notes	81,417,333	6.85%	76,977,877	6.30%
	96,669,702		88,529,357	

The carrying amounts and fair value of the non-current borrowings are as follows:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Senior notes (note (i))	15,252,369	15,872,250	11,551,480	11,791,938
PRC public corporate bond (note (ii))	1,599,885	1,628,160	1,599,830	1,598,400
Bank borrowings, syndicated loans and other borrowings and others (note (iii))	37,520,366	37,520,366	40,045,175	40,045,175
	54,372,620	55,020,776	53,196,485	53,435,513

Notes:

- (i) The fair value of senior notes is determined directly by references to the price quotations published by the Singapore Exchange Limited and The Stock Exchange of Hong Kong Limited on 31 December 2019, the last dealing date of 2019 and is within level 1 of the fair value hierarchy.
- (ii) The fair value of RMB1,600,000,000 PRC public corporate bond is determined directly by references to the price quotations published by the China Securities Index Co., Ltd on 31 December 2019, the last dealing date of 2019 and is within level 1 of the fair value hierarchy.
- (iii) The fair values of non-current bank borrowings, syndicated loans, other borrowings and others approximate their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted at the average borrowing rate of 6.85% (2018: 6.33%), and are within level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

At 31 December 2019, the Group's borrowings were repayable as follows:

	2019	2018
Within 1 year	42,297,082	35,332,872
Between 1 and 2 years	29,572,885	19,059,355
Between 2 and 5 years	21,117,672	28,047,755
Over 5 years	3,682,063	6,089,375
	96,669,702	88,529,357

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2019	2018
RMB	55,092,913	52,336,228
HK dollar	21,017,348	21,561,454
US dollar	18,523,302	14,128,683
MYR	436,944	502,992
MOP	1,599,195	–
	96,669,702	88,529,357

The Group has the following undrawn borrowing facilities:

	2019	2018
Floating rate:		
– Expiring beyond one year	6,404,000	2,733,000

25 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2019	2018
Deferred income tax assets to be recovered after more than 12 months	1,113,509	1,171,692
Deferred income tax assets to be recovered within 12 months	421,542	366,688
Set-off of deferred tax liabilities pursuant to set-off provisions	(184,281)	(104,398)
	1,350,770	1,433,982
Deferred income tax liabilities to be settled after more than 12 months	(3,339,348)	(1,960,798)
Deferred income tax liabilities to be settled within 12 months	(24,713)	(27,685)
Set-off of deferred tax liabilities pursuant to set-off provisions	184,281	104,398
	(3,179,780)	(1,884,085)
Deferred income tax liabilities, net	(1,829,010)	(450,103)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

25 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – losses	Deferred tax assets – write-down of completed held for sale properties and under development	Temporary differences arising from trade and other receivables and contract assets	Deferred tax assets – unrealised profit on intra-group transactions	Deferred tax liabilities – excess of carrying amount of investment properties and property, plant and equipment over the tax bases	Deferred tax liabilities – excess of carrying amount of intangible assets over the tax bases	Deferred tax liabilities – excess of fair value of financial assets over the tax bases	Deferred tax liabilities – excess of carrying amount of land use right over the tax bases	Net
At 1 January 2018	846,757	113,175	2,174	194,611	(1,055,201)	(22,097)	(26,543)	(240,711)	(187,835)
Acquisition of subsidiaries	–	–	168	–	–	(33,132)	–	–	(32,964)
(Charged)/credited to the consolidated income statement	(188,689)	372,443	25,664	172,077	(497,091)	4,872	(39,092)	7,549	(142,267)
Charged to other comprehensive income	–	–	–	–	(87,037)	–	–	–	(87,037)
At 31 December 2018	658,068	485,618	28,006	366,688	(1,639,329)	(50,357)	(65,635)	(233,162)	(450,103)
Acquisition of subsidiaries	13,251	–	–	–	–	(136,158)	–	(1,021,894)	(1,144,801)
Credited to/(Charged) the consolidated income statement	129,211	(238,039)	37,394	54,854	(41,928)	26,922	11,852	(210,053)	(229,787)
Charged to other comprehensive income	–	–	–	–	–	–	(4,319)	–	(4,319)
At 31 December 2019	800,530	247,579	65,400	421,542	(1,681,257)	(159,593)	(58,102)	(1,465,109)	(1,829,010)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of RMB900,278,000 (2018: RMB445,471,000) in respect of tax losses amounting to RMB3,601,112,000 (2018: RMB1,781,884,000) that can be carried forward against future taxable income. Tax losses of approximately RMB137,856,000, RMB525,860,000, RMB331,496,000, RMB744,416,000 and RMB1,861,484,000 will expire in 2020, 2021, 2022, 2023 and 2024 respectively.

Deferred income tax liabilities of RMB2,056,483,000 (2018: RMB1,629,564,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB41,129,660,000 (2018: RMB32,591,280,000) of certain subsidiaries. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to the oversea intermediate holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

26 Trade and other payables

	2019	2018
Trade payables (note (a))	21,276,425	16,852,035
Other payables due to:		
– Related parties (note 43(c))	8,193,454	5,590,518
– Non-controlling interests	3,200,722	3,596,848
– Third parties (note (b))	13,935,941	8,935,399
Staff welfare benefit payable	1,073,575	797,198
Accruals	1,433,623	1,465,095
Advances from disposal of subsidiaries	2,681,106	987,700
Other taxes payable	4,324,850	4,309,178
Total trade and other payables	56,119,696	42,533,971
Less: other payables – non-current portion	(2,201,976)	–
Trade and other payable – current portion	53,917,720	42,533,971

Notes:

(a) The ageing analysis of the trade payables of the Group as at 31 December 2019 is as follows:

	2019	2018
Within 90 days	13,440,152	13,387,512
Over 90 days and within 180 days	6,265,677	2,729,635
Over 180 days and within 365 days	966,394	559,318
Over 365 days	604,202	175,570
	21,276,425	16,852,035

(b) The other payables to third parties mainly include: (i) the deposits received from third parties for potential equity cooperation in certain property development projects; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured and repayable according to terms and conditions mutually agreed with the counter parties.

27 Financial liabilities at fair value through profit or loss

As at 31 December 2019, the Group had the following financial liabilities at fair value through profit or loss:

	2019	2018
Non-current portion:		
– Derivative financial instruments	12,656	6,144
– Put options	70,436	–
	83,092	6,144
Current portion:		
– Derivative financial instruments	53,684	7,192

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2019 were US\$4,490,000,000, approximating to RMB31,323,138,000 in total (2018: US\$3,200,000,000, approximating to RMB21,962,240,000).

During the year ended 31 December 2019, increase in fair value of derivative financial instruments of RMB200,212,000 have been recorded in “finance cost, net” in the consolidated income statement (note 33).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

28 Other gains, net

	2019	2018
Gain from disposal of a subsidiary (note 37)	2,988,981	–
Fair value gains/(losses) on financial assets at FVPL	999,715	(352,434)
Remeasurement gain resulting from a joint venture transferred to a subsidiary (note 11)	579,449	–
Fair value gains on investment properties (note 7)	117,070	1,952,355
Exchange gains, net (note (a))	85,975	327,177
Gains on disposal of property, plant and equipment and investment properties	6,682	23,330
Miscellaneous	24,292	35,825
	4,802,164	1,986,253

Note:

- (a) Amount mainly represents the gains or losses of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss related to borrowings which are included in the “finance costs, net” (note 33).

29 Other income

	2019	2018
Interest income (note (a))	654,422	328,104
Interest income from related parties (note 43(b))	354,619	376,136
Government grants	137,660	39,468
Dividend income from financial assets at FVPL	66,904	171,751
Forfeited deposits from customers	14,206	22,374
Miscellaneous	54,726	102,201
	1,282,537	1,040,034

Note:

- (a) Interest income was derived from bank deposit from reputable PRC banks and wealth management products.

30 Other expenses

	2019	2018
Charitable donations	116,350	120,553
Compensation expenses	78,869	94,398
Miscellaneous	33,081	42,051
	228,300	257,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

31 Expenses by nature

	2019	2018
Cost of properties sold – including construction cost, land cost and capitalised interests	37,643,769	26,812,567
Employee benefit expenses – including directors' emoluments (note 32)	4,953,010	3,792,819
– Property development	2,408,632	1,928,991
– Property management	2,046,866	1,472,514
– Hotel operations	270,392	258,412
– Environmental protection	227,120	132,902
Depreciation (note 6 & note 9)	770,761	514,515
Amortisation (note 8 & note 10)	95,605	88,543
Write-down of completed properties held for sale and properties under development	325,505	1,489,770
Impairment of property, plant and equipment (note 6)	154,376	–
Auditors' remunerations	18,254	19,846
– Audit services	11,825	11,100
– Non-audit services	6,429	8,746
Advertising costs	800,004	676,097
Commission fee	513,681	1,004,018
Cleaning expenses	412,207	283,519
Other taxes	294,981	358,910
Other levies on sales of properties	241,728	331,998
Utilities	200,287	177,745
Maintenance costs	176,816	170,169
Operating lease payments	48,020	78,169
Others	1,257,168	899,922
Total cost of sales, selling and marketing costs and administrative expenses	47,906,172	36,698,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

32 Employee benefit expense

	2019	2018
Wages and salaries	4,287,253	3,286,378
Pension costs – statutory pension (note (a))	279,722	215,724
Staff welfare	129,381	99,414
Medical benefits	80,769	58,542
Other allowances and benefits	175,885	132,761
	4,953,010	3,792,819

Notes:

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

- (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2018: two) directors whose emoluments are reflected in the analysis shown in note 48. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019	2018
Salary	19,105	21,453
Contribution to pension scheme	178	132
	19,283	21,585

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK dollar)		
HK\$ 6,000,001 – HK\$ 6,500,000	1	–
HK\$ 7,000,001 – HK\$ 7,500,000	–	1
HK\$ 7,500,001 – HK\$ 8,000,000	1	–
HK\$ 8,000,001 – HK\$ 8,500,000	1	1
HK\$ 8,500,001 – HK\$ 9,000,000	–	–
HK\$ 10,000,001 – HK\$ 10,500,000	–	1
HK\$ 11,500,001 – HK\$ 12,000,000	–	–

- (c) During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

33 Finance costs, net

	2019	2018
Interest expense:		
– Bank borrowings, syndicated loans and other borrowings	4,965,759	3,571,673
– Senior notes	1,244,227	578,539
– PRC Corporate Bonds, ABS and CMBS	868,948	906,165
– Lease liabilities	37,006	-
Less: interest capitalised	(4,935,466)	(3,657,861)
Exchange losses from borrowings	854,174	1,738,800
Less: exchange losses capitalised	(304,612)	(491,031)
Changes in fair value of derivative financial instruments (note 27)	(200,212)	98,068
	2,529,824	2,744,353

34 Income tax expenses

	2019	2018
Current income tax:		
– PRC corporate income tax	3,219,748	3,802,299
– PRC land appreciation tax	3,875,741	6,838,137
– PRC withholding income tax	37,652	260,579
Deferred income tax (note 25)		
– PRC corporate income tax	244,663	153,933
– Hong Kong profits tax	(14,876)	(11,666)
	7,362,928	11,043,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

34 Income tax expenses (Continued)

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries or regions of the Group entities as follows:

	2019	2018
Profit before income tax	16,596,174	19,401,099
Tax calculated at tax rates applicable to profits in the respective entities of the Group	3,658,662	4,602,786
Tax effects of:		
– Tax effect of super deduction	(6,747)	–
– Associates' results reported net of tax	4,104	(5,574)
– Joint ventures' results reported net of tax	(275,665)	(1,200)
– Income not subject to income tax (note (a))	(24,945)	(18,958)
– Expenses not deductible for income tax (note (b))	597,690	890,942
– PRC land appreciation tax deductible for calculation of income tax purposes	(968,935)	(1,709,534)
– Tax losses for which no deferred income tax asset was recognised	465,371	186,104
PRC corporate income tax	3,449,535	3,944,566
PRC withholding income tax	37,652	260,579
PRC land appreciation tax	3,875,741	6,838,137
	7,362,928	11,043,282

Notes:

- (a) Income not subject to income tax for the years ended 31 December 2019 and 2018 mainly comprise the interest income of bank deposits.
- (b) Expenses not deductible for income tax for the year ended 31 December 2019 mainly comprise administrative expense of domestic companies over deduction limits, donations made to non-official public welfare institutions, the loss of trading stock, exchange loss and expenses of the Group entities in Hong Kong and Malaysia (2018: same).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the Group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

34 Income tax expenses (Continued)

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower of 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

During the year ended 31 December 2019, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

Except for provision for the fair value gains of financial assets at FVPL, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

Preferential tax rate

Certain companies of the Group in the PRC, were qualified as “High and New Technology Enterprises” under the CIT law, and they are entitled to a preferential income tax rate of 15%. Certain subsidiaries of the Group in the PRC provide environmental protection services and these companies are entitled to a preferential income tax rate of a “Three Exemptions and Three 50% Reductions”.

35 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2019	2018
Profit attributable to shareholders of the Company	7,511,794	7,125,007
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,882,578	3,882,578
Basic earnings per share (RMB per share)	1.935	1.835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

35 Earnings per share (Continued)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2019 and 2018, there was no diluted potential ordinary share, diluted earnings per share equally to basic earnings per share.

36 Dividends

	2019	2018
Interim dividend paid of HK\$0.60 (2018: HK\$0.50) per ordinary share (note(a))	2,124,946	1,705,463
Less: Dividend for shares held for Share Award Scheme	(18,700)	(14,746)
	2,106,246	1,690,717
Proposed final dividend of HK\$0.40 (2018: HK\$0.50) per ordinary share (note(b))	1,434,470	1,681,354
Less: Dividend for shares held for Share Award Scheme	(12,623)	(15,123)
	1,421,847	1,666,231

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2019 of HK\$0.60 per ordinary share, approximately HK\$2,350,229,000 (equivalent to RMB2,124,946,000) was declared by the Board of Directors of the Company (2018: HK\$1,958,524,000 equivalent to RMB1,705,463,000).
- (b) A final dividend in respect of 2018 of HK\$0.50 per ordinary share approximately HK\$1,958,524,000 (equivalent to RMB1,681,354,000) was declared at the Annual General Meeting of the Company on 10 May 2019, of which HK\$17,235,000 (equivalent to RMB15,123,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings.

A final dividend in respect of 2019 of HK\$0.40 per ordinary share have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 11 May 2020. The final dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected these dividends payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

37 Disposal of a subsidiary

During the year ended 31 December 2019, the Group disposed of 34% of equity interests in a wholly owned subsidiary (the “Disposed Project”) to an independent buyer (the “Buyer”) at a total consideration of RMB1,394,400,000. The Group lost control over the Disposed Project and according to the shareholders agreement, the Group is eligible to exercise joint control over the Disposed Project together with the Buyer. The Group accounted for the Disposed Project as a joint venture and recorded disposal gain of RMB2,988,981,000 (note 28) on 30 June 2019 when the transaction was completed. Details of the disposal are as follows:

	2019
Disposal considerations	
– Cash received	1,394,400
– Fair value of remaining equity interests in Disposed Project	2,706,776
	4,101,176
Less:	
– total net assets of a subsidiary disposed of	(1,082,195)
– consulting expenses directly related to the transaction	(30,000)
Gains from disposal of a subsidiary	2,988,981
Cash proceeds from disposal, net of cash disposed of	
Cash consideration received	1,394,400
Less:	
– cash and cash equivalents in the subsidiary disposed of	(205,495)
– advances from disposal of a subsidiary	(987,700)
– amount due to the Buyer	(406,700)
– consulting fees related to the transaction directly	(30,000)
Net cash outflow on disposals	(235,495)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

38 Cash flow information

(a) Cash generated from operations

	2019	2018
Profit for the year	9,233,246	8,357,817
Adjustments for:		
Taxation	7,362,928	11,043,282
Interest income (note 29)	(1,009,041)	(704,240)
Depreciation of property, plant and equipment (note 6)	569,111	514,515
Amortisation of intangible assets (note 10)	95,605	32,298
Amortisation of land use rights (note 8)	–	56,245
Depreciation of right-of-use assets (note 9)	201,650	–
Write-down of completed properties held for sale and properties under development (note 31)	325,505	1,489,770
Write-down of property, plant and equipment (note 31)	154,376	–
Net impairment losses on financial and contract assets	149,574	97,250
Gains on disposal of investment properties and property, plant and equipment (note 28)	(6,682)	(23,330)
Net exchange gains (note 28)	(85,975)	(79,037)
Fair value gains on investment properties (note 28)	(117,070)	(1,952,355)
Share of post-tax profit of investments accounted for using the equity method (note 11)	(1,086,246)	(27,098)
Finance costs, net (note 33)	2,529,824	2,744,353
Gains from disposal of a subsidiary (note 28)	(2,988,981)	–
Remeasurement gains resulting from a joint venture transfer to a subsidiary (note 28)	(579,449)	–
Fair value (gains)/losses on financial assets at FVPL (note 28)	(999,715)	352,434
Revenue from operating concessions construction	(360,230)	–
Changes in working capital:		
Property under development and completed properties held for sales	(19,974,666)	(23,088,337)
Prepayments for acquisition of land use rights	(5,482,288)	1,612,784
Restricted cash	(388,475)	1,376,799
Trade and other receivables	(1,175,972)	(4,744,729)
Trade and other payables and accruals	6,823,879	12,585,762
Advanced proceeds received from customers	–	(19,460,971)
Contract assets	(930,841)	(448,715)
Contract liabilities	8,747,116	25,489,558
Cash generated from operations	1,007,183	15,224,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

38 Cash flow information (Continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

Net debt

	2019	2018
Cash and cash equivalents	33,551,303	35,776,231
Financial assets at FVPL	1,008,031	3,232,031
Borrowings – repayable within one year	(42,297,082)	(35,332,872)
Borrowings – repayable after one year	(54,372,620)	(53,196,485)
Lease liabilities	(572,737)	–
Net debt	(62,683,105)	(49,521,095)
Cash and cash equivalents	33,551,303	35,776,231
Financial assets at FVPL	1,008,031	3,232,031
Gross debt – fixed interest rates	(46,373,957)	(39,766,004)
Gross debt – variable interest rates	(50,295,745)	(48,763,353)
Lease liabilities	(572,737)	–
Net debt	(62,683,105)	(49,521,095)

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings	Other payables-related parties	Other payable-non-cotrolling interests	Lease liabilities	Dividends payable	Total
As at 1 January 2019	88,529,357	5,590,518	3,596,848	–	492	97,717,215
Cash flows						
– Inflow from financing activities	48,248,554	3,636,493	1,898,876	–	–	53,783,923
– Outflow from financing activities	(42,799,664)	(495,538)	(2,295,002)	(285,477)	(4,123,576)	(49,999,257)
Non-cash changes						
– Finance expense recognised	1,251,523	–	–	37,006	–	1,288,529
– Acquisition of subsidiaries	2,304,349	(2,779,309)	–	–	–	(474,960)
– Disposal of a subsidiary	(880,000)	2,241,290	–	–	–	1,361,290
– Addition of lease liabilities	–	–	–	821,208	–	821,208
– Accrued dividends	–	–	–	–	4,123,576	4,123,576
– Other non-cash movement	15,583	–	–	–	100	15,683
As at 31 December 2019	96,669,702	8,193,454	3,200,722	572,737	592	108,637,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

39 Business combination

During the year ended 31 December 2019, the Group completed several acquisitions of equity interests in certain companies, mainly included a property development company, property management companies, environmental protection companies and others, at consideration of RMB8,441,033,000 in aggregate. Goodwill of RMB2,055,442,000 and identifiable net assets of RMB6,385,591,000 were recognised. 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.

Details of the purchase consideration, the net asset acquired and goodwill are as follow:

	Total
Consideration	
Cash paid	3,858,234
Waiver of receivables from joint venture partner	1,684,218
Fair value of investments in joint ventures held before business combination	1,834,305
Consideration payable	1,064,687
Contingent consideration	(411)
	8,441,033
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,056,984
Financial assets at FVPL	16,000
Property, plant and equipment (note 6)	1,876,808
Intangible assets (note 10)	1,039,991
Investments accounted for using the equity method (note 11)	9,915
Inventories	765,124
Properties under development	7,074,543
Right-of-use assets (note 9)	269,946
Trade and other receivables	5,151,521
Deferred income tax assets	13,251
Trade and other payables	(6,501,266)
Contract liabilities	(86,607)
Borrowings	(2,304,349)
Deferred income tax liabilities	(1,158,052)
Total identifiable net assets	7,223,809
Non-controlling interests	(838,218)
Identifiable net assets attributable to the Company	6,385,591
Goodwill (note 10)	2,055,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

39 Business combination (Continued)

Net cash outflow arising on acquisition during the year ended 31 December 2019:

	Total
Cash paid	3,858,234
Less: contingent consideration	(411)
Less: cash considerations paid in prior year	(264,434)
Cash considerations paid in the year	3,593,389
Less: cash and cash equivalents in the subsidiaries acquired	(1,056,984)
Cash outflow in the year	2,536,405

The acquired businesses contributed revenues of RMB5,722,050,000 and net profits of RMB264,753,000 to the Group for the period from the respective acquisition date to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, the Group's consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been RMB11,028,261,000 and of RMB1,540,322,000, respectively.

No contingent liability has been recognised for the business combination.

40 Financial guarantee

	2019	2018
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	38,294,381	44,775,365
Guarantee in respect of borrowings of associates (note (b) and note 43(b))	1,096,112	424,095
Guarantee in respect of borrowings of joint ventures (note (c) and note 43(b))	5,831,507	6,244,840
Guarantees in respect of borrowings of third parties (note (d))	1,487,074	–
	46,709,074	51,444,300

Notes:

- (a) The Group has cooperated with certain financial institutions to arrange mortgage loan facilities for its purchasers of properties and provide guarantees to secure obligations of such purchasers for repayments. As at 31 December 2019, the outstanding guarantees amounted to RMB38,294,381,000 (2018: RMB44,775,365,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the associate was RMB3,100,493,000 as at 31 December 2019 (2018: RMB73,023,000).

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the joint ventures was RMB13,308,149,000 as at 31 December 2019 (2018: RMB3,407,138,000).

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

40 Financial guarantee (Continued)

Notes: (Continued)

- (b) Several subsidiaries of the Group and associate counter parties have provided certain guarantees in proportion of their shareholding in associates in respect of loan facilities amounting to RMB2,843,700,000 (2018: RMB848,190,000). The Group's share of the guarantees amounted to RMB1,096,112,000 (2018: RMB424,095,000).
- (c) Several subsidiaries of the Group and joint venture counter parties have provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loan facilities amounting to RMB12,423,440,000 (2018: RMB13,779,000,000). The Group's share of the guarantees amounted to RMB5,831,507,000 (2018: RMB6,244,840,000).
- (d) The Company provided certain guarantees to certain independent third parties in respect of loan facilities amounting to RMB1,487,074,000 (31 December 2018: nil).

41 Commitments

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
Property, plant and equipment:		
– Not later than one year	–	89,534
– Later than one year and not later than five years	–	139,519
	–	229,053
	2019	2018
Lease of areas adjacent to the property development projects:		
– Not later than one year	–	850
– Later than one year and not later than five years	–	3,850
– Later than five years	–	29,000
	–	33,700
	2019	2018
Lease of the land use right for ancillary facilities:		
– Not later than one year	–	2,131
– Later than one year and not later than five years	–	8,717
– Later than five years	–	21,969
	–	32,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

41 Commitments (Continued)

(b) Other commitments

	2019	2018
Contracted but not provided for		
– Property development activities	16,406,314	29,659,316
– Acquisition of land use rights	10,020,111	6,311,197
– Property, plant and equipment	813,471	1,265,020
– Other intangible assets	2,705	3,060
	27,242,601	37,238,593

42 Future minimum rental payments receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2019	2018
Not later than one year	158,260	216,925
Later than one year and not later than five years	388,876	328,756
Over five years	98,857	161,592
	645,993	707,273

43 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Full Choice Investments Limited	The ultimate holding company of the Group
Top Coast Investment Limited	The intermediate holding company of the Group
The Founding Shareholders are Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the “Founding Shareholders”)	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (i)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (ii)) 中山雅居樂長江酒店有限公司	Controlled by the Founding Shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Foshan Changzhong Real Estate Development Co., Ltd. (note (i)) 佛山市昌重房地產開發有限公司	Associate of the Group
Foshanshi Sanshuiqu Qingmei Real Estate Co., Ltd. (note (i)) 佛山市三水區擎美房地產有限公司	Associate of the Group
Foshan Yaxu Real Estate Development Co., Ltd. (note (i)) 佛山雅旭房地產開發有限公司	Associate of the Group
Fuzhou Shengquan Real Estate Development Co., Ltd. (note (i)) 福州盛全房地產開發有限公司	Associate of the Group
Xinxingxian Country Garden Real Estate Development Co., Ltd. (note (i)) 新興縣碧桂園房地產開發有限公司	Associate of the Group
Sichuan Yacan Real Estate Development Co., Ltd. (note (i)) 四川雅燦房地產開發有限公司	Associate of the Group
Jinzhongshi Jinhong Yubao Real Estate Development Co., Ltd. (note (i)) 晉中市錦洪裕寶房地產開發有限責任公司	Associate of the Group
Haimen Xinya Real Estate Development Co., Ltd. (note (i)) 海門新雅房地產開發有限公司	Associate of the Group
Sichuan Yaheng Real Estate Development Co., Ltd. (note (i)) 四川雅恒房地產開發有限公司	Associate of the Group
Nantongshi Tongzhouqu Dongju Land Co., Ltd. (note (i)) 南通市通州區東居置業有限公司	Associate of the Group
Dali Meizhao Real Estate Development Co., Ltd. (note (i)) 大理美詔房地產開發有限公司	Associate of the Group
Handan Yurong Real Estate Development Co., Ltd. (note (i)) 邯鄲裕榮房地產開發有限公司	Associate of the Group
Wuxi Yahui Real Estate Development Co., Ltd. (note (i)) 無錫雅輝房地產開發有限公司	Associate of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Guangdong Yingmei Liheng Investment Corporation (Limited Partnership) (note (i)) 廣東盈美立恒投資合夥企業(有限合夥)	Associate of the Group
Guangdong Yingmei Yihao Equity Investment Corporation (Limited Partnership) (note (i)) 廣東盈美壹號股權投資合夥企業(有限合夥)	Associate of the Group
Huizhou Meiteng Project Management Co., Ltd. (note (i)) 惠州美騰項目管理有限公司	Associate of the Group
Wuhan Dinghui Yale Real Estate Development Co., Ltd. (note (i)) 武漢市鼎輝雅樂房地產開發有限公司	Associate of the Group
Atlas (China) Co., Ltd. ("Atlas (China)") (note (i)) 寰圖(中國)有限公司	Associate of the Group
Guangzhou Lihe Real Estate Property Development Co., Ltd. (note (i)) 廣州利合房地產開發有限公司	Joint venture of the Group
Tianjin Jinnan Xincheng Real Estate Development Co., Limited (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. (note (i)) 長沙上城置業有限公司	Joint venture of the Group
Guangxi Fuya Investments Co., Ltd. (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Charm Talent Limited (note (i)) 煌迪有限公司	Joint venture of the Group
Zhongshanshi Shiguang Chuangjian Zhiye Company Limited (note (i)) 中山市世光創建置業有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Zhongshan Haide Real Estate Development Co., Ltd. (note (ii)) 中山市海德房地產開發有限公司	Joint venture of the Group
Zhongshanshi Dongcheng Real Estate Development Company Limited (note (ii)) 中山市東城實業發展有限公司	Joint venture of the Group
Zhongshan Mingtai Property Development Company Limited (note (ii)) 中山市名泰房地產開發有限公司	Joint venture of the Group
Foshan Yazhan Property Development Co., Ltd. (note (ii)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd. (note (ii)) 中山市志力置業有限公司	Joint venture of the Group
Zhongshan Jucheng Enterprise Co., Ltd. (note (ii)) 中山市鉅成實業有限公司	Joint venture of the Group
Zhongshan Bosheng Real Estate Development Co., Ltd. (note (ii)) 中山市鉅成房地產開發有限公司	Joint venture of the Group
Zhongshan Wenhua Real Estate Co., Ltd. (note (ii)) 中山市文華房地產有限公司	Joint venture of the Group
Zhongshan Minsan Real Estate Development Co., Ltd. (note (ii)) 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. (note (ii)) 海南雅宏旅遊置業有限公司	Joint venture of the Group
Hainan Yahai Resort Development Co., Ltd. (note (ii)) 海南雅海旅遊發展有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Development Co., Ltd. (note (ii)) 中山市盈軒房地產開發有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Changzhou Yajing Real Estate Development Co., Ltd. (note (i)) 常州雅勁房地產開發有限公司	Joint venture of the Group
Zhongshan Hehua Hotel Co., Ltd. (note (i)) 中山市和華酒店有限公司	Joint venture of the Group
Beijing Zhonggang International Real Estate Development Co., Ltd. (note (i)) 北京中港國際房地產開發有限公司	Joint venture of the Group
Foshan Zhongjiao Real Estate Development Co., Ltd. (note (i)) 佛山中交房地產開發有限公司	Joint venture of the Group
Foshan Xiangsong Land Co., Ltd. (note (i)) 佛山香頌置業有限公司	Joint venture of the Group
Hefei Changzhe Real Estate Development Co., Ltd. (note (i)) 合肥昌哲房地產開發有限公司	Joint venture of the Group
Changzhou Jingya Real Estate Development Co., Ltd. (note (i)) 常州勁雅房地產開發有限公司	Joint venture of the Group
Jinan Yajun Real Estate Development Co., Ltd. (note (i)) 濟南雅雋房地產開發有限公司	Joint venture of the Group
Lianyungangshi Ganglong Land Co., Ltd. (note (i)) 連雲港市港龍置業有限公司	Joint venture of the Group
Jinan Yaheng Real Estate Development Co., Ltd. (note (i)) 濟南雅恒房地產開發有限公司	Joint venture of the Group
Xuzhou Chuanda Real Estate Development Co., Ltd. (note (i)) 徐州川達房地產開發有限公司	Joint venture of the Group
Jiangmenshi Meishun Real Estate Development Co., Ltd. (note (i)) 江門市美順房地產開發有限公司	Joint venture of the Group
Kaifeng Guokong Songdu Land Co., Ltd. (note (i)) 開封國控宋都置業有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Jiaxing Xingya Real Estate Development Co., Ltd. (note (i)) 嘉興興雅房地產開發有限公司	Joint venture of the Group
Xuzhou Yafeng Real Estate Development Co., Ltd. (note (i)) 徐州雅豐房地產開發有限公司	Joint venture of the Group
Xingyang Agile City Construction Co., Ltd. (note (i)) 滎陽雅居樂城市建設有限公司	Joint venture of the Group
Xingyang Agile Enterprise Co., Ltd. (note (i)) 滎陽市雅居樂實業有限公司	Joint venture of the Group
Meizhou Zhongnan Yusheng Real Estate Development Co., Ltd. (note (i)) 梅州中南昱晟房地產開發有限公司	Joint venture of the Group
Guangzhou Yajing Real Estate Development Co., Ltd. (note (i)) 廣州雅景房地產開發有限公司	Joint venture of the Group
Jiangxi Jianda Investment Co., Ltd. (note (i)) 江西建大投資有限公司	Joint venture of the Group
Fujian Chuxin Eco Technology Co., Ltd. (note (i)) 福建省儲鑫環保科技有限公司	Joint venture of the Group
Jinzhong Xiya Real Estate Development Co., Ltd. (note (i)) 晉中熙雅房地產開發有限公司	Joint venture of the Group
Jinan Junsheng Real Estate Development Co., Ltd. (note (i)) 濟南隽盛房地產開發有限公司	Joint venture of the Group
Wuhu Yaxu Real Estate Development Co., Ltd. (note (i)) 蕪湖雅旭房地產開發有限公司	Joint venture of the Group
Chenzhou Agile Real Estate Development Co., Ltd. (note (i)) 郴州雅居樂房地產開發有限公司	Joint venture of the Group
Chongqing Jinbi Agile Real Estate Development Co., Ltd. (note (i)) 重慶金碧雅居房地產開發有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Weihai Yalan Investment Development Co., Ltd.(note (ii)) 威海雅藍投資開發有限公司	Joint venture of the Group
Changzhou Yafeng Green Construction Technology Co., Ltd. (note (ii)) 常州雅豐綠色建築科技有限公司	Joint venture of the Group
Xi'an Agile Enterprise Development Co., Ltd. (note (ii)) 西安雅居樂實業發展有限公司	Joint venture of the Group
Xuzhou Jiale Real Estate Development Co., Ltd (note (ii)) 徐州佳樂房地產開發有限公司	Joint venture of the Group
Guangzhou Yajingan Real Estate Development Co., Ltd (note (ii)) 廣州雅景安房地產開發有限公司	Joint venture of the Group
Suzhou Meiju Real Estate Development Co., Ltd. (note (ii)) 蘇州美居房地產開發有限公司	Joint venture of the Group
Kaifeng Fenghui Land Co., Ltd. (note (ii)) 開封豐輝置業有限公司	Joint venture of the Group
Shenyang Agile Enterprise Management Consultation Co., Ltd. (note (ii)) 沈陽雅居樂企業管理諮詢有限公司	Joint venture of the Group
Shenyang Yasong Real Estate Development Co., Ltd. (note (ii)) 沈陽雅頌房地產開發有限公司	Joint venture of the Group
Huizhou Huiyang Agile Real Estate Development Co., Ltd. (note (ii)) 惠州市惠陽雅居樂房地產開發有限公司	Joint venture of the Group
Tianjin Ruiya Real Estate Development co., Ltd. (note (ii)) 天津瑞雅房地產開發有限公司	Joint venture of the Group
Chongqing Huayu Yefeng Enterprise Development Co., Ltd. (note (ii)) 重慶華宇業豐實業有限公司	Joint venture of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Guangzhou Hongsheng Hengju Investment Partnership Enterprises (Limited Partnership) (note (i)) 廣州鴻晟恒鉅投資合夥企業(有限合夥)	Joint venture of the Group
Xingyang Yaheng Land Co., Ltd. (note (i)) 滎陽市雅恒置業有限公司	Joint venture of the Group
Huizhou Yajian Real Estate Development Co., Ltd. (note (i)) 惠州市雅建房地產開發有限公司	Joint venture of the Group
Henry Fischer Real Estate Co., Limited. (note (i)) 亨利世家置業有限公司	Joint venture of the Group
Nanjing Qiya Land Co., Ltd. (note (i)) 南京奇雅置業有限公司	Joint venture of the Group
Gongqingcheng Investment (note (i)) 共青城投資	Controlled by a key management personnel of the Group

Note (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies, as no English names have been registered or available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(b) Transactions with related parties

During the years ended 31 December 2019 and 2018, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business:

	2019	2018
Golf facilities service fee charged by Zhongshan Changjiang Golf Course (note (i))	14,635	12,919
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i))	3,594	3,240
	18,229	16,159
	2019	2018
Loan to related parties		
– Associates	178,222	2,643,730
– Joint ventures	668,868	2,584,511
	847,090	5,228,241
	2019	2018
Repayment of loans to related parties		
– Associates	972,125	77,206
– Joint ventures	1,093,728	–
	2,065,853	77,206
	2019	2018
Interest income from (note (ii))		
– Associates	106,734	93,163
– Joint ventures	247,885	282,973
	354,619	376,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

	2019	2018
Guarantee in respect of borrowings		
– Associates	1,096,112	424,095
– Joint ventures	5,831,507	6,244,840
	6,927,619	6,668,935

Key management compensation

Key management includes executive directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	2019	2018
– Salaries and other short-term employee benefits	42,738	43,127
– Retirement scheme contributions	167	124
	42,905	43,251

Notes:

- (i) Restaurant and hotel service fees and golf facilities service fee were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.
- (ii) Interest income were charged in accordance with the terms of the loan contracts which, in the agreement of the related parties and the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(c) Balances with related parties

As at 31 December 2019 and 2018, the Group had the following significant non-trade balances with related parties:

	2019	2018
Receivables due from (note (i))		
– Associates	1,326,119	2,578,743
– Joint ventures	10,341,884	9,676,037
– Other related parties	193,728	195,484
	11,861,731	12,450,264
	2019	2018
Loan and interest receivables due from (note (ii))		
– Associates	1,480,885	2,701,516
– Joint ventures	1,751,474	3,840,425
	3,232,359	6,541,941
	2019	2018
Payables due to (note (i))		
– Associates	314,038	696,674
– Joint ventures	7,778,832	4,789,650
– Other related parties	100,584	104,194
	8,193,454	5,590,518
	2019	2018
Contract liabilities		
– Associates	581	–
– Joint ventures	43,513	3,530
	44,094	3,530

Notes:

- (i) The balances are cash advances in nature, which are unsecured and interest free.
- (ii) The balances are loan receivables and interest from associates and joint ventures, which are unsecured and interest bearing. The effective interest rate ranges from 4.35% to 15% per annum.

44 Ultimate holding company

The directors of the Company consider Full Choice Investments Limited, a company incorporated in Hong Kong, to be the ultimate holding company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below:

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Directly held by the Company					
Eastern Supreme Group Holdings Limited (formerly named Eastern Supreme Group Limited)	British Virgin Islands (the "BVI")/limited liability Company	Investment holding/ Hong Kong	100%	100%	–
Indirectly held by the Company					
雅居樂雅生活服務股份有限公司 A-Living Services Co., Ltd.	PRC/foreign invested enterprise	Property management/ Mainland China	–	54%	46%
雅居樂地產置業有限公司(前稱中山市雅居樂地產置業有限公司) Agile Property Land Co., Ltd. (formerly named Zhongshan Agile Property Land Co., Ltd)	PRC/wholly foreign owned enterprise	Management consultant/ Mainland China	–	100%	–
中山雅居樂雍景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Realty Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Realty Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市凱茵豪園房地產開發有限公司 Zhongshan Greenville Realty Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below:
(Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市雅居樂房地產有限公司 Foshan Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
南京雅居樂房地產開發有限公司 Nanjing Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
河源市雅居樂房地產開發有限公司 Heyuan Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
海南清水灣控股有限公司 Hainan Clearwater Bay Holdings Limited	BVI/Limited liability company	Investment holding/BVI	–	100%	–
海南雅居樂房地產開發有限公司 Hainan Agile Real Estate Development Co., Ltd. (“Hainan Agile”) (note (ii))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
海南雅恒房地產發展有限公司 Hainan Yaheng Real Estate Development Co., Ltd. (“Hainan Yaheng”) (note (ii))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
廣州從化雅居樂房地產開發有限公司 Guangzhou Conghua Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
四川雅居樂房地產開發有限公司 Sichuan Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below:
(Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
佛山市三水雅居樂房地產有限公司 Foshan Sanshui Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
惠州白鷺湖旅遊實業開發有限公司 Huizhou Bailuhu Tour Enterprise Development Co., Ltd. (note (ii))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
陝西昊瑞房地產開發有限責任公司 Shanxi Haorui Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
上海靜安城投重慶置業有限公司 Shanghai Jing'an Chengtou Chongqing Land Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
上海雅恒房地產開發有限公司(前稱上海金昌房地產開發有限公司) Shanghai Yaheng Real Estate Development Co., Ltd.(formerly named Shanghai Jinchang Real Estate Development Co., Ltd.) (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州雅居樂酒店有限公司 Guangzhou Agile Hotel Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Hotel operation/Mainland China	–	100%	–
佛山市雅居樂酒店有限公司 Foshan Agile Hotel Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Hotel operation/Mainland China	–	100%	–
廣州雅恒房地產開發有限公司 Guangzhou Yaheng Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below:
(Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
中山市雅信房地產開發有限公司 Zhongshan Yaxin Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅創房地產開發有限公司 Zhongshan Yachuang Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
廣州雅生房地產開發有限公司 Guangzhou Yasheng Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅景房地產開發有限公司 Zhongshan Yajing Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
廣州雅粵房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州雅騰房地產開發有限公司 Guangzhou Yateng Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂雅園房地產有限公司 Foshan Sanshui Agile Majestic Garden Real Estate Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
廣東西樵商貿廣場有限公司 Guangdong Xiqiao Commerce Plaza Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
南京江寧雅居樂房地產開發有限公司 Nanjing Jiangning Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below:
(Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
遼寧雅居樂房地產開發有限公司 Liaoning Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
西安雅居樂物業投資管理有限公司 Xi'an Agile Property Investment Management Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
佛山市順德區雅居樂房地產有限公司 Foshan Shunde Agile Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
南京雅建置業有限公司 Nanjing Yajian Land Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
常州雅居樂房地產開發有限公司 Changzhou Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
騰冲雅居樂旅遊置業有限公司 Tengchong Agile Resort Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
海南雅航旅遊置業有限公司 Hainan Yahang Travel Property Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
西雙版納雅居樂旅遊置業有限公司 (前稱：西雙版納雅居樂旅遊發展有限公司) Xishuangbanna Agile Resort Co., Ltd. (formerly named: Xishuangbanna Agile Resort Development Co., Ltd.) (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
瑞麗雅居樂旅遊置業有限公司 Ruili Agile Resort Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below:
(Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
西安曲江雅居樂房地產開發有限公司 Xi'an Qujiang Agile Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	70%	30%
佛山市順德區雅新房地產開發有限公司 Foshan Shunde Yaxin Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
揚州雅居樂房地產開發有限公司 Yangzhou Agile Real Estate Development Co., Ltd. (note (ii))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
來安雅居樂房地產開發有限公司 Lai'an Agile Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
無錫雅居樂房地產開發有限公司 Wuxi Agile Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
上海松江雅居樂房地產開發有限公司 Shanghai SongJiang Agile Real Estate Development Co., Ltd. (note (ii))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
昆山市富恒房地產開發有限公司 Kunshan Fuheng Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅尚房地產開發有限公司 Zhongshan Yashang Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
杭州余杭雅居樂房地產開發有限公司 Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (note (ii))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

- (a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below:
(Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
南京濱江雅居樂房地產開發有限公司 Nanjing Binjiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
鄭州雅居樂房地產開發有限公司 Zhengzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	60%	40%
佛山市南海區雅恒房地產開發有限公司 Foshan Nanhai Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–

Structured entity

Principal activities

The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees
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As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administering and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note (i): The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2019	2018
Assets		
Non-current assets		
Investments in subsidiaries	448,520	448,520
Total non-current assets	448,520	448,520
Current assets		
Amounts due from subsidiaries	70,230,396	62,620,721
Other receivables and prepayments	151,927	149,185
Financial assets at fair value through profit or loss	–	139,189
Cash and cash equivalents	5,358,424	2,028,994
Total current assets	75,740,747	64,938,089
Total assets	76,189,267	65,386,609
Equity		
Equity attributable to shareholders of the Company		
Share capital and premium	3,421,883	3,421,883
Shares held for Share Award Scheme	(156,588)	(156,588)
Other reserves (note (a))	–	427,512
Retained earnings (note (a))	1,481,250	2,432,683
	4,746,545	6,125,490
Perpetual Capital Securities	13,566,867	8,334,875
Total equity	18,313,412	14,460,365
Liabilities		
Non-current liabilities		
Borrowings	27,544,324	31,906,734
Financial liabilities at fair value through profit or loss	12,656	6,144
	27,556,980	31,912,878
Current liabilities		
Borrowings	20,289,129	11,903,533
Amounts due to subsidiaries	9,132,545	6,429,197
Other payables and accruals	843,517	673,444
Financial liabilities at fair value through profit or loss	53,684	7,192
Total current liabilities	30,318,875	19,013,366
Total liabilities	57,875,855	50,926,244
Total equity and liabilities	76,189,267	65,386,609

The balance sheet of the Company was approved by the Board of Directors on 23 March 2020 and was signed on its behalf by:

Chen Zhuo Lin

Chan Cheuk Hung

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

46 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

Note (a): Reserves movement of the Company

	Other reserves	Retained earnings
At 1 January 2018	427,512	2,526,254
Profit for the year	–	3,857,540
Dividends declared relating to 2018	–	(3,951,111)
At 31 December 2018	427,512	2,432,683
At 1 January 2019	427,512	2,432,683
Profit for the year	–	2,932,068
Redemption of Perpetual Capital Securities (note 23)	(427,512)	(77,201)
Dividends declared relating to 2019	–	(3,806,300)
At 31 December 2019	–	1,481,250

47 Events after the balance sheet date

- (a) Pursuant to the agreement entered into by a third party acquirer (the “Acquirer”), Dragon Charm International Limited, Ma Lee International Holdings Limited, China Sharp Group Limited and Guangzhou Panyu Agile Realty Development Co., Ltd. (the relevant subsidiaries of the Company, “Agile Relevant Shareholders”) in December 2019, it was agreed that the Acquirer and Agile Relevant Shareholders will jointly invest and develop the cooperative land (“Bailuhu Project”) in the agreed proportion of 49% and 51%. The total consideration of RMB1,666,087,000, of which RMB733,485,000 would be paid to Agile Relevant Shareholders and RMB932,602,000 would be contributed to Bailuhu Project. The Acquirer has paid total consideration as an advanced payment in December 2019, which was recognised as other payable in the consolidated balance sheet. Up to report date, the transactions has not been completed.
- (b) On 25 September 2019, the Group entered into a framework agreement to conditionally agree to acquire the 60% equity interest in CMIG Futurelife Property Management Limited (“CMIG PM”) at the fixed consideration RMB 1,560,000,000 from Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership). The Circular had been despatched to the Group’s Shareholders on 24 February 2020. Upon the completion of the acquisition, the CMIG PM would become a subsidiary of the Group.
- (c) Entering 2020, the rapid outbreak of the novel coronavirus (“COVID-19”) in different cities has led to a major challenge for the global economy. Under the effective control measures of the Chinese government, the epidemic has been gradually controlled. The Group has comprehensively evaluated its impact on sales activities and construction works in various cities, with an aim to fully support the prevention and control for the novel coronavirus and to effectively cut off the transmission of the virus. Under the premise of protecting the health and safety of customers and employees, the Group has gradually resumed its operation since February 2020 in accordance with the local governments’ policies. Meanwhile, the Group has also established an online sales centre named Yajubao to provide professional online consultation to prospective buyers, with an aim to minimise the impact of the epidemic on the Group’s sales activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

47 Events after the balance sheet date (Continued)

(c) (Continued)

The pandemic has caused a short-term impact on all sectors and the sales of the real estate industry has also been affected by the short-term psychological impact of the public on the epidemic. Therefore, we foresee the sales performance of the real estate industry will decline significantly in the first quarter of 2020 when compared with the corresponding period of last year. However, a number of local governments in China have introduced relaxation policies to shore up the local real estate market in an effort to stabilise the future development of China's real estate market. The Group will closely monitor the development of novel coronavirus and assess the impact of the epidemic on the Group's finance and operation. The Group will adjust the marketing plans and development strategies in a timely manner, with an aim to ensure the effective implementation of the business model of "focusing on property development, supported by a diversified range of businesses".

48 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

For the year ended 31 December 2019:

			Housing allowance and contribution to a retirement benefit scheme	Total
	Fees	Salary		
Mr. Chen Zhuo Lin	4,356	–	16	4,372
Mr. Chan Cheuk Hung	3,108	–	16	3,124
Mr. Huang Fengchao	146	7,875	155	8,176
Mr. Chen Zhongqi	146	7,742	64	7,952
Mr. Chan Cheuk Yin	408	–	–	408
Madam. Luk Sin Fong, Fion	408	–	–	408
Mr. Chan Cheuk Hei	408	–	–	408
Mr. Chan Cheuk Nam	408	–	–	408
Dr. Cheng Hon Kwan (note (ii))	408	–	–	408
Mr. Kwong Che Keung, Gordon (note (ii))	408	–	–	408
Mr. Hui Chiu Chung, Stephen (note (ii))	408	–	–	408
Mr. Wong Shiu Hoi, Peter (note (ii))	408	–	–	408
	11,020	15,617	251	26,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

48 Benefits and interests of directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2018:

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	3,793	–	15	3,808
Mr. Chan Cheuk Hung	2,706	–	15	2,721
Mr. Huang Fengchao	127	7,329	129	7,585
Mr. Chen Zhongqi	127	7,371	54	7,552
Mr. Chan Cheuk Yin	355	–	–	355
Madam. Luk Sin Fong, Fion	355	–	–	355
Mr. Chan Cheuk Hei	355	–	–	355
Mr. Chan Cheuk Nam	355	–	–	355
Dr. Cheng Hon Kwan (note (i))	355	–	–	355
Mr. Kwong Che Keung, Gordon (note (i))	355	–	–	355
Mr. Cheung Wing Yui, Edward (note (i), (ii))	42	–	–	42
Mr. Hui Chiu Chung, Stephen (note (i))	355	–	–	355
Mr. Wong Shiu Hoi, Peter (note (i))	355	–	–	355
	9,635	14,700	213	24,548

Note (i): Independent non-executive directors of the Company.

Note (ii): Mr. Cheung Wing Yui, Edward has resigned as a non-executive director of the Company with effect from 13 February 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

48 Benefits and interests of directors (Continued)

(b) Directors' retirement benefits

During the year ended 31 December 2019, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2018: same).

(c) Directors' termination benefits

During the year ended 31 December 2019, there was no termination benefits received by the directors (2018: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, no consideration was paid for making available the services of the directors of the Company (2018: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2019, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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