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This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into any agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

This announcement and the listing document referred to herein have been published for information purposes only as required by the Listing Rules and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*The material contained in this announcement is not for distribution or circulation, directly or indirectly, in or into the United States. This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the securities offer are being offered and sold only outside the United States in offshore transaction in compliance with Regulation S under the Securities Act.*

Notice to Hong Kong investors: *The Issuer (defined as below) and the Guarantor (defined as below) confirm that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) only and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, each the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

Franshion Brilliant Limited
(incorporated in the British Virgin Islands with limited liability)
(the "Issuer")

US$600,000,000 3.200% Guaranteed Senior Notes due 2026
(the "Notes")
(Stock Code: 40641)

unconditionally and irrevocably guaranteed by

JINMAO 中国金茂

China Jinmao Holdings Group Limited
中國金茂控股集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00817)
(the "Guarantor")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular dated 30 March 2021 (the "**Offering Circular**") appended hereto in relation to the Notes. As disclosed in the Offering Circular, the Notes issued are for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

Hong Kong, 12 April 2021

As at the date of this announcement, the directors of the Issuer are Mr. LI Congrui and Mr. JIANG Nan.

As at the date of this announcement, the Directors of the China Jinmao Holdings Group Limited are Mr. NING Gaoning (Chairman), Mr. YANG Lin, Mr. AN Hongjun, Mr. CHENG Yong and Mr. WANG Wei as Non-executive Directors; Mr. LI Congrui, Mr. JIANG Nan and Mr. SONG Liuyi as Executive Directors; Mr. SU Xijia, Mr. SUEN Man Tak, Mr. GAO Shibin and Mr. ZHONG Wei as Independent Non-executive Directors.

APPENDIX – OFFERING CIRCULAR DATED 30 MARCH 2021

IMPORTANT NOTICE

(THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES)

THE DISTRIBUTION OF THE ATTACHED OFFERING CIRCULAR IS LIMITED TO PROFESSIONAL INVESTORS ONLY, BEING (A) FOR A PERSON IN HONG KONG, A PROFESSIONAL INVESTOR AS DEFINED IN CHAPTER 37 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND AS DEFINED IN PART 1 OF SCHEDULE 1 TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (EXCLUDING THOSE PRESCRIBED BY RULES MADE UNDER SECTION 397 OF THAT ORDINANCE) OR (B) FOR A PERSON OUTSIDE HONG KONG, A PERSON TO WHOM SECURITIES MAY BE SOLD IN ACCORDANCE WITH A RELEVANT EXEMPTION FROM PUBLIC OFFER REGULATIONS IN THAT JURISDICTION.

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

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), we have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the Notes (as defined in the offering circular) are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

The Notes are not intended to 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 (as amended), 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.

For the purposes of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), the target market for the securities, if any offer proceeds, is eligible counterparties (as defined in the FCA Handbook Conduct of Business Sourcebook) and professional clients (as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**") only (all distribution channels). The Notes are not intended to 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 (the "**EUWA**") or (ii) a customer within the meaning 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. 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.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE 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 MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

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

Confirmation and your representation: In order to be eligible to view this offering circular or make an investment decision with respect to the securities, investors must be persons outside the United States. By accepting the e-mail and accessing the attached offering circular, you shall be deemed to have represented to Franshion Brilliant Limited 方興光耀有限公司, China Jinmao Holdings Group Limited, Citigroup Global Markets Limited, J.P. Morgan Securities plc, BOSC International Company Limited and The Bank of East Asia, Limited that (1) you and any customers you represent are persons outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of the attached offering circular and any amendments or supplement thereto by electronic transmission.

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

The materials relating to the offering contemplated under the attached offering circular 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.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Franshion Brilliant Limited 方興光耀有限公司, China Jinmao Holdings Group Limited, Citigroup Global Markets Limited, J.P. Morgan Securities plc, BOSC International Company Limited and The Bank of East Asia, Limited 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 circular distributed to you in electronic format and the hard copy version available to you upon 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.

Strictly Confidential

Franshion Brilliant Limited
方興光耀有限公司

(incorporated in the British Virgin Islands with limited liability)

US$600,000,000 3.200% Guaranteed Senior Notes due 2026 unconditionally and irrevocably guaranteed by

CHINA JINMAO HOLDINGS GROUP LIMITED
中國金茂控股集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

We are offering 3.200% Guaranteed Senior Notes due 2026 in the aggregate principal amount of US$600,000,000 (the "**Notes**"). The Notes will mature on April 9, 2026 and will bear interest at 3.200% per annum payable semi-annually in arrears on April 9 and October 9 of each year, commencing on October 9, 2021. Franshion Brilliant Limited 方興光耀有限公司 (the "**Issuer**") may redeem some or all of the Notes at any time at the redemption price described in "Description of the Notes." If China Jinmao Holdings Group Limited (the "**Company**" or "**Guarantor**") experiences specified kinds of changes in control and a rating decline occurs, the Issuer must offer to purchase the Notes at a price equal to 101% of their principal amount plus unpaid accrued interest. The Issuer may redeem all but not some of the Notes upon the occurrence of certain changes in applicable tax laws.

The Notes are senior obligations of the Issuer that are guaranteed by the Company. The Company's guarantee of the Notes is referred to as the "**Guarantee**." The Notes and the Guarantee will rank at least equally in right of payment with all existing and future senior debt of the Issuer and the Company, respectively. The Notes and the Guarantee will respectively be effectively subordinated to all of the Issuer's and the Company's existing and future debt that is secured by assets that do not secure the Notes or Guarantee to the extent of the assets securing the debt. The Guarantee will be structurally subordinated to all liabilities (including trade payables) of all of the Company's subsidiaries.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of, and permission to deal in the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only. This document is for distribution to Professional Investors only.

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

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully the risks involved.

Pursuant to Enterprise Foreign Debt Registration Certificate (Fa Gai Ban Wai Zi Bei [2020] No. 214) (企業借用外債備案登記證明(發改辦外資備[2020]214號)) (the "**Certificate**") issued by the National Development and Reform Commission ("**NDRC**"), Sinochem Group (as defined herein), the ultimate parent of the Company, has been granted a quota of foreign debt by the NDRC on April 17, 2020 (the "**Quota**"). The Issuer is expected to be, prior to the issuance of the Notes, permitted to utilize the Quota for the purpose of the issue of the Notes pursuant to an authorization letter issued by Sinochem Group (the "**Authorization Letter**") on July 20, 2020. Pursuant to the Certificate, as the Notes will be issued within the Quota, none of the Issuer, the Company or Sinochem Group is required to complete the pre-issuance registration in respect of the Notes with the NDRC but is still required to file with the NDRC the requisite information on the issuance of the Notes after the issuance of such Notes. The Company intends to provide the requisite information on the issuance of the Notes to the NDRC within the time period prescribed by the Certificate, the terms of the Quota and the applicable requirements of Sinochem Group relating to such filing.

The Notes are expected to be assigned a rating of "BBB-" by Fitch Ratings Inc. or its affiliate ("**Fitch**"). Such rating of the Notes does not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by Fitch. Such rating should be evaluated independently of any other rating of the other securities of the Issuer or the Company.

Investing in the Notes involves risks. Please see "Risk Factors" beginning on page 14.

Issue Price: 99.908% of principal amount

The Notes and the Guarantee have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes and the Guarantee are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.

The Notes will be evidenced by a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders.

Except as described herein, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup **J.P. Morgan** **BOSC International** **The Bank of East Asia, Limited**

Offering Circular dated March 30, 2021

NOTICE TO INVESTORS

This offering circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Notes. Each of the Issuer, the Company, Citigroup Global Markets Limited, J.P. Morgan Securities plc, BOSC International Company Limited and The Bank of East Asia, Limited (the "**Initial Purchasers**"), reserves 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 placed hereby.

This offering circular is personal to the prospective investor to whom it has been delivered by the Initial Purchasers 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 circular 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 the Issuer's prior written consent is prohibited. The prospective investor, by accepting delivery of this offering circular, agrees to the foregoing and agrees not to make any photocopies of this offering circular.

This offering circular 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 and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering circular has been obtained by the Issuer or the Company from publicly available sources deemed by it to be reliable. Notwithstanding any investigation that the Initial Purchasers may have conducted with respect to the information contained herein, the Initial Purchasers and their affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls any of them do not accept any liability in relation to the information contained in this offering circular or its distribution or with regard to any other information supplied by or on the Issuer's or the Company's behalf.

This offering circular may only be used where it is legal to sell the Notes.

None of the Initial Purchasers, The Bank of New York Mellon, London Branch as trustee and paying agent (the "**Trustee**" and "**Paying Agent**", respectively), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar and transfer agent (the "**Registrar**" and "**Transfer Agent**", respectively, and together with the Paying Agent, the "**Agents**") or any of their respective affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls of any them have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility is accepted by any of the Initial Purchasers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls any of them. The information in this document may only be accurate at the date of this offering circular. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, imply that there has been no change or development in the Company's or the Issuer's affairs and those of each of their respective subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof.

Investors hereby acknowledge that (i) they have not relied on the Initial Purchasers, the Trustee, the Agents or any person affiliated with the Initial Purchasers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or their investment decision and have conducted their own investigation with respect to the Company and the Notes; (ii) they have received all information that they believe is necessary or appropriate in connection with its purchase of the Notes; (iii) no person has been authorized to give any information or to make any representation concerning the Issuer, the Company, the Notes or the Guarantee (other than as contained herein and information given by the Issuer's or the Company's duly authorized officers and employees, as applicable, in connection with investors' examination of the Issuer and the Company, and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Company, the Initial Purchasers, the Trustee or the Agents; (iv) they have consulted their own independent advisors or otherwise have satisfied themselves concerning, without limitation, the tax, legal, currency and other economic considerations related to the investment in the Notes, and have only relied on the advice of, or have only consulted with, such independent advisers; (v) they have such knowledge and experience in financial and business matters and in participating in transactions such as the offering contemplated herein that they are capable of evaluating the merits and risks of the prospective investment in the Notes; (vi) they will not look to the Initial Purchasers or any of their affiliates, or their affiliates' officers, directors, employees or agents in respect of any such loss arising from their investments in the Notes; and (vii) they have authorized the Initial Purchasers, the Trustee and the Agents to rely upon the truth and accuracy of the abovementioned acknowledgments and undertakings. None of the Initial Purchasers, the Trustee or any Agent undertakes to review the financial condition or affairs of the Issuer or the Company during the life of the arrangements contemplated by this offering circular nor to advise any investor or prospective investor in the Notes of any information coming to the attention of the Initial Purchasers, the Trustee or any Agent.

In making an investment decision, prospective investors must rely on their examination of the Issuer and the Company and the terms of this offering, including the merits and risks involved.

This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, any person in any jurisdiction in which it is unlawful for such person to make such offer or solicitation.

IN CONNECTION WITH THIS OFFERING, ANY OF THE INITIAL PURCHASERS, APPOINTED AS AND ACTING IN ITS CAPACITY AS THE STABILIZATION MANAGER, (THE "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. HOWEVER, THE STABILIZATION MANAGER, OR ANYONE ACTING FOR IT, IS NOT OBLIGATED TO DO THIS. IF THESE ACTIONS ARE COMMENCED, THEY SHALL BE UNDERTAKEN IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS, AND AS A RESULT THEREOF 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 THAT IS NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES OFFERED HEREBY AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

None of the Issuer, the Company, the Initial Purchasers, the Trustee, the Agents, or any of their respective affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls of any them is making any representation to any offeree or purchasers of the Notes placed hereby regarding the legality of any investment by such offeree or purchasers 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 Initial Purchasers, the Trustee or the Agents makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering circular. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or any of the Agents or any of their respective affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls any of them accepts any responsibility for the contents of this offering circular or for any other statement made or purported to be made by the Initial Purchasers or on their behalf in connection with the Issuer and the Company or the issue and offering of the Notes or the Guarantee. Each of the Initial Purchasers, the Trustee, the Agents and any of their respective affiliates, directors, officers, employees, or advisers accordingly disclaims any and all liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement. None of the Initial Purchasers, the Trustee, the Agents or

any of their respective affiliates, directors, officers, employees, advisers, representatives, agents or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer or the Company during the life of the arrangements contemplated by this offering circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Initial Purchasers, the Trustee or the Agents.

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

The distribution of this offering circular and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering circular, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales.

In connection with Section 309B of the SFA and the Securities and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), 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.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") or (ii) a customer within the meaning of the Financial Services and Markets Act 2000 ("**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 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.

UK MIFIR PRODUCT GOVERNANCE/ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties (as defined in the FCA Handbook Conduct of Business Sourcebook and professional clients (as defined in UK MiFIR) only, and (ii) all channels for distribution of the Notes to such eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**UK distributor**") should take into consideration the manufacturers' target market assessment; however, a UK distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Persons into whose possession this offering circular comes are required by the Issuer, the Company, the Initial Purchasers, the Trustee and the Agents to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the possession or distribution of this offering circular or any offering or publicity materials relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, the Company giving the Guarantee and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. See "*Plan of Distribution*" for a description of certain restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this offering circular, references to:

- "**we**", "**our**", "**us**", "**the Company**", "**the Group**" and "**the Guarantor**" are to China Jinmao Holdings Group Limited, and, as the context requires, its consolidated subsidiaries;

- the "**Issuer**" are to Franshion Brilliant Limited 方興光耀有限公司, a wholly-owned subsidiary of the Company;

- the "**PRC**" or "**China**" are to the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

- "**Sinochem Group**" are to Sinochem Group, a PRC wholly state-owned enterprise under the supervision of SASAC, and the ultimate parent of the Company;

- "**contracted sales**" are to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, average selling price and GFA) through our internal records, and such information has not been audited or reviewed by our auditors. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this offering circular should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering circular should not be unduly relied upon as a measure or indication of our current or future operating performance;

- "**Sinochem Corporation**" are to Sinochem Corporation, a joint stock limited liability company incorporated in the PRC in 2009, in which Sinochem Group holds 100% interest;

- "**Sinochem Hong Kong**" are to Sinochem Hong Kong (Group) Company Limited (formerly known as Sinochem Hong Kong (Holdings) Company Limited), a company incorporated with limited liability in Hong Kong in 1989, which is wholly-owned by Sinochem Corporation;

- "**Jin Mao Group**" are to China Jin Mao (Group) Co., Ltd., a company established under the laws of the PRC in 1995 and our wholly-owned subsidiary;

- "**Shanghai Pudong Jinxin**" are to Shanghai Pudong Jinxin Real Estate Development Co., Ltd., a company established under the laws of the PRC in 1995, in which we hold a 50% interest and Shanghai Real Estate holds a 50% interest;

- "**Shanghai Real Estate**" are to Shanghai Real Estate (Group) Co., Ltd., a company established under the laws of the PRC in 1983;

- "**PBOC**" are to the People's Bank of China;

- "**SAFE**" are to the State Administration of Foreign Exchange of the PRC;

- "**SASAC**" are to the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;

- "**MOFCOM**" are to the Ministry of Commerce of the PRC;

- "**US$**", "**USD**" and "**U.S. dollars**" are to United States dollars, the official currency of the United States of America;

- "**HK$**" and "**HK dollars**" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region; and

- "**RMB**", "**CNY**" or "**Renminbi**" are to the Renminbi, the official currency of the PRC.

Solely for your convenience, this offering circular contains translations of certain Renminbi amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.5250 to US$1.00, respectively, the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States ("**Federal Reserve Board**") on December 31, 2020. Further information on exchange rates is set forth in "Exchange Rate Information."You should not construe these translations as representations that the Renminbi amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all.

GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms in this offering circular that are commonly used in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

"**aggregate GFA**"	the total of saleable/rentable GFA and non-saleable/rentable GFA
"**construction land planning permit**"	the construction land planning permit (建設用地規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"**construction permit**"	the construction works commencement permit (建設工程施工許可證) issued by a local governmental construction committee or some other relevant government authority
"**construction works planning permit**"	the construction works planning permit (建設工程規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"**GFA**"	gross floor area
"**land bank**"	the total amount, in terms of aggregate GFA, of: (i) completed properties that have not been sold or delivered, (ii) properties under development, and (iii) properties held for future development (including those for which we have entered into a land grant contract but have not obtained the land use rights certificate)
"**land grant contract**"	the state-owned land use right grant contract (國有土地使用權出讓合同) entered into with a land administration bureau or some other relevant government authority in respect of the grant of state-owned land use rights
"**land use right certificate**"	the state-owned land use right certificate (土地使用證) issued by a local land and resources bureau or some other relevant government authority
"**LAT**"	land appreciation tax (中華人民共和國土地增值稅)
"**mu**"	a unit of area equivalent to 6662/3 sq.m.
"**non-saleable/rentable GFA**"	the amount of GFA that is not for sale or for rent, which typically includes communal facilities and service areas
"**pre-sale permit**"	the commodity property pre-sale permit (商品房預售許可證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"**property ownership certificate**"	the property ownership certificate (房地產權證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority

"**saleable/rentable GFA**"	the amount of GFA that a property developer intends to sell or rent and that does not exceed the multiple of the site area and the maximum permissible plot ratio
"**sq.m.**"	square meter

PRESENTATION OF FINANCIAL AND OTHER DATA

Our consolidated financial and other information as of and for the years ended December 31, 2018, 2019 and 2020 are included elsewhere in this offering circular and have been extracted from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020. See "*Index to Financial Statements*."

Our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 are prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been audited by Ernst & Young, the Company's independent auditor, in accordance with Hong Kong Standards on Auditing issued by the HKICPA. HKFRS differs in certain material respects from generally accepted accounting principles of other jurisdictions.

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

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- our ability to obtain permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our customers 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 third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as "may," "will," "should," "could," "would," "expect," "intend," "plan," "anticipate," "going forward," "ought to," "seek," "project," "forecast," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantees of future performance.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled "*Risk Factors*" in this offering circular.

Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering circular, whether as a result of new information, future events or otherwise after the date of this offering circular. All forward-looking statements contained in this offering circular are qualified by reference to the cautionary statements set forth in this section.

CONTENTS

SUMMARY

Overview

We are a leading property developer and operator of large-scale and high-end residential and commercial real estate projects and engage in other real estate and hotel activities and businesses in major cities and popular vacation destinations in the PRC. Our ultimate parent company, Sinochem Group, is currently one of the 21 SOEs approved by SASAC to principally engage in real estate businesses, and one of six SOEs approved by SASAC to engage in hotel operations. Sinochem Group was rated “A” in corporate performance by SASAC and Moody’s, S&P and Fitch have assigned a corporate rating of “A3”, “A-” and “A”, respectively, with a stable outlook to Sinochem Hong Kong, a wholly-owned subsidiary of Sinochem Corporation.

We pursue development opportunities at prime locations in China’s major cities and have established an integrated development platform in three major business segments: city operations and property development, commercial leasing and retail operations and hotel operations. Our projects are located in Beijing, Shanghai, Chongqing, Shenzhen (Guangdong Province), Sanya (Hainan Province), Qingdao (Shandong Province), Changsha (Hunan Province), Nanjing (Jiangsu Province), Suzhou (Jiangsu Province), Lijiang (Yunnan Province), among other locations, and include notable developments such as the Jin Mao Tower, the Beijing Chemsunny World Trade Center, the Westin Beijing, Chaoyang and the Ritz-Carlton, Sanya.

The following map depicts the major cities in which we have city operations and property development projects, investment properties and hotels:

In adherence to our vision of “Unleashing Future Vitality of the City”, we focus on high-end positioning and premium quality and we endeavour to become a leading city operator in China. Based on our forecasts for future city development, we have integrated the concept of mutually beneficial city planning to enhance regional functions and city vitality. Currently, we have successfully entered the markets China’s rapidly developing regions including the Beijing-Tianjin-Hebei Metropolitan Region, the Yangtze River Delta and the Pearl River Delta. As of December 31, 2020, we were engaged in over 270 city operations and property development projects in 51 core cities including Beijing, Tianjin, Shanghai and Guangzhou.

We have won numerous industry awards:

Major Integrated Awards

- In March 2019, at the "2019 China Top 100 Real Estate Developers Research Conference cum the 16th China Top 100 Real Estate Developers Summit" jointly organized by the three research institutes, namely the Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy, we were ranked the 22nd among the "2019 China Top 100 Real Estate Developers," and honored with the titles of "2019 China Top 100 Real Estate Developers by Profitability Top 10," "2019 China Top 100 Real Estate Developers by Growth Top 10" and "2019 China Top 100 Real Estate Developers by Financing Capabilities Top 10."

- In March 2019, at the 2019 Guardian Annual Forum organised by the Guardian Index Academy, we were ranked 14th among the 2019 Real Estate Excellence Top 100 in the PRC.

- In June 2019, we were ranked among the "15th China Blue Chip Real Estate Developers for 2019" at the 16th China Blue Chip Real Estate Developer Annual Conference organized by Economic Observer, an authoritative media.

- In August 2019, we were ranked among 449th of the 2019 Top 500 Asian Brands organized by the World Brand Lab for the first time.

- In September 2019, we were ranked 32nd among the 2019 Top 50 Most Valuable Real Estate Development Brands at the "Appraisal Results Conference of 2019 China Real Estate Developers cum Real Estate Brand Development Summit" jointly organized by the China Real Estate Association, Shanghai E-house Real Estate Academy and China Real Estate Brand Appraise Center.

- In September 2019, we were granted the China Jinmao AAA among the 2019 Top 50 China Real Estate Green Credit Ranking organised by the Investment Association, Green Ranking and Finance.

- In December 2019, we were ranked first among the 2019 Top 10 Most Competitive Green Property Developers in the PRC and were named one of the 2019 Top 10 Most Competitive Green Commercial Property Operators in China at the 21st China International Real Estate & Architectural Technology Fair (2019).

- In April 2020, we were awarded the title of "Comprehensive Brand Power Company" in the 17th Blue Chip Annual Conference in 2020 hosted by the Economic Observer.

- In November 2020, we were awarded the title of "2020 Outstanding City Operator" at the annual China Enterprise Competitiveness Conference organized by China Business News.

Major City Operations and Property Development Awards

- In March 2019, Beijing Daxing Jinmao Residence Project earned the "2019 Most Anticipated Development" at the Leju Beijing Innovation Summit cum Leju Award Ceremony of the Best Property Agency (樂居北京創新峰會暨樂居地產群英會頒獎典禮) organised by Sina Leju, and was honoured the "Most Valuable Residential Development in Glorious Twenty Years" 榮耀20年典藏人氣住宅) at the 20th Anniversary of Sohu Focus Brand Fair organised by Sohu Focus.

- In May 2019, Chengdu Wuhou Jinmao Palace won the title of "2019 Most Popular Real Estate Project in Chengdu Amongst Internet Users" at the 15th China Property Network Popularity

Rankings (第十五屆中國房地產網絡人氣榜); in December 2019, it gained the title of "2019 Brand Value Property on the 2019 China Real Estate Billboard" (2019中國房產風雲榜2019年度品牌價值樓盤) by Anjuke.

- In July 2019, Qingdao Jimo International Smart New City Project obtained "BREEAM 3-star Certificate" granted by BRE Global Limited in the United Kingdom.

- In September 2019, the Shanghai Jinmao North Bund Land Project earned the "US LEED Certified Gold Rating."

- In December 2019, the Beijing Future Jinmao Palace Project was honoured with the Elite Science and Technology Award – Outstanding Green Community (精瑞科學技術獎綠色社區優秀獎) at the CRECC 2019 Annual Conference/the 16th Elite Habitat Award Forum approved by the Ministry of Science and Technology of the People's Republic of China and the National Office for Science and Technology Awards and organized by CRECC; the Beijing Serenity Palace Project was honoured with the Elite Science and Technology Award in Landscape Planning and Design (精瑞科學技術獎園林景觀規劃與設計優秀獎).

Major Hotel Awards

- In April 2019, Jinmao Hotel was titled the "2019 China Hotel Starlight Awards – Best Hotel Owner in China" (中國酒店業最佳業主) at the 2019 Asia Hotel Forum and Travel Annual Meeting cum the 14th China Hotel Starlight Awards.

- In September 2019, Jinmao Hotel was honoured with the title of "2019 Best Hotel Owner in China" at the 16th Golden Pillow Award of China Hotels (第十六屆中國酒店「金枕頭獎 – 2019年度中國最佳酒店業主」).

- In November, Jinmao Hotel Lijiang • The Unbound Collection by Hyatt won the award of "the Hotel as the Best Destination" (最佳旅行目的地酒店) by the Examination Board of the Best Hotels (最佳酒店評選委員會).

Office and Other Project Awards

- In May 2019, Jinmao Property was ranked the 22nd among the "2019 Top 100 Property Service Companies" at the 2019 China Top 100 Real Estate Services' Latest Research Results Conference cum the 12th China Top 100 Real Estate Service Entrepreneur Summit (2019中國物業服務百強企業研究成果發佈會暨第十二屆中國物業服務百強企業家峰會)" organised by the China Index Academy and the China Real Estate Top 10 Research Team (中國房地產TOP10研究組).

- In August 2019, Jin Mao Tower was honoured with the title of "World's 50 Most Influential Tall Buildings" (全球50座最具影響力高層建築) by the Council on Tall Buildings and Urban Habitat.

- In September 2019, JM Capital was named one of the "2019 Top 50 Popular Institution for Private Equity Investment Among Start-ups in China" (2019年中國最受創業者歡迎私募股權投資機構TOP50) by 36Kr.com.

- In October 2019, Jin Mao Tower gained the platinum certification of LEED for Building Operations & Maintenance: Existing Buildings by U.S. Green Building Council at the 2019 Greenbuild China.

- In November 2019, Jinmao's Retail was named among the "TOP 100 Commercial Real Estate Developers with Outstanding Business Performance" (中國商業地產TOP100暨商業表現獎) in the

2019 China Commercial Real Estate Development Annual Report issued by the Guandian Index Academy (觀點指數研究院) at the 2019 Guandian Annual Commercial Convention.

- In November 2019, Jinmao Green Building was awarded the medal of "Strategic Partners of BREEAM" (BREEAM戰略合作夥伴) by BRE.

As of December 31, 2020, the total amount of our contracted sales was approximately RMB231.1 billion, and the amount of sales of properties and land contracted by us but not yet delivered and settled was approximately RMB301.7 billion. As of December 31, 2020, we have an aggregate GFA of 803,006 sq.m. of investment properties in our commercial leasing and retail operations business and a total of 3,968 rooms occupying an aggregate GFA of 637,191 sq.m. in our 10 hotel properties.

The following table sets forth our revenue by business segments.

	Year Ended December 31,					
	2018		2019		2020	
	(audited)		(audited)		(audited)	
	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)
City operations and property development	33,734.2	87	37,721.4	87	54,366.5	91
Commercial leasing and retail operations	1,449.8	4	1,446.8	3	1,461.4	2
Hotel operations	2,047.9	5	1,967.1	5	1,257.8	2
Others	1,500.8	4	2,220.6	5	2,968.2	5
Total	38,732.7	100	43,355.9	100	60,053.9	100

For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB38,732.7 million, RMB43,355.9 million and RMB60,053.9 million, respectively, and the profit attributable to owners of the parent and non-controlling interests was RMB7,376.7 million, RMB8,629.1 million and RMB6,195.1 million, respectively.

The following table sets forth our gross profit margin by business segments.

	Year Ended December 31,		
	2018	2019	2020
	Gross profit margin (%)		
Overall	38	29	20
City operations and property development	36	27	18
Commercial leasing and retail operations	87	87	86
Hotel operations	49	49	43

Basic earnings per share for the year ended December 31, 2020 were RMB31.86 cents, representing a decrease of 43% as compared with RMB55.64 cents for the year ended December 31, 2019. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was RMB26.51 cents for the year ended December 31, 2020, compared with RMB52.74 cents for the year ended December 31, 2019.

In August 2007, we were listed on the Main Board of the SEHK and are currently one of the component stocks of the Hong Kong Hang Seng Composite Index, Morgan Stanley Capital International China Index and National Association of Real Estate Investment Trust Global Emerging Index.

In 2014, the Company completed the spin-off of the properties in Jin Mao Tower and eight high-end hotels. As a result, our hotel operations were successfully and separately listed on the SEHK by trust structure under the name of Jinmao Hotel & Jinmao (China) Hotel Investments and Management Limited (formerly known as Jinmao Investments and Jinmao Holdings) (stock code: 06139). The spin-off and listing of the hotel operations segment effectively released the value of the hotel assets, expanded our investment and financing channels and improved the capital structure of the Company. The initial property portfolio for this spin-off includes: Jin Mao Tower (comprising Grand Hyatt Shanghai, office, retail and tourist areas), The Westin Beijing Chaoyang, JW Marriott Shenzhen, The Ritz-Carlton, Sanya, Hilton Sanya Resort and Spa, Hyatt Regency Chongming, Renaissance Beijing Wangfujing and Grand Hyatt Lijiang. Following our privatization of Jinmao Hotel & Jinmao (China) Hotel Investments and Management Limited by way of a scheme of arrangement, its listing on SEHK has been withdrawn on October 5, 2020. See "*Business – Recent Developments – Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel*" for more details.

Competitive Strengths

We believe that the following factors contribute to our strong competitive position:

- Balanced portfolio of property developments and investments
- Geographically diverse businesses in prime locations in strategically targeted markets with high growth potential
- Strong support from our ultimate parent company, Sinochem Group, one of China's twenty one SOEs under the direct supervision of SASAC allowed to develop and invest in real estate as part of its core businesses
- Access to a prime land bank well-suited to our real estate development model
- Experienced management team
- Strong brands and track record in developing innovative, high-end projects with high-quality construction
- Track record of prudent financial management and access to diverse funding sources
- Pioneer in green strategy to achieve innovation driven, long-term growth

Strategies

We aim to continue to grow as a leading developer and operator of high-end commercial properties, residential properties, mixed-use commercial complexes and luxury hotels in the PRC. We continue to adhere to "two-wheel and two-wing driven" development strategy and constantly strengthen the growth vitality of our core businesses of property development and property holding while accelerating the transformation and implementation of our innovation businesses, such as finance and services, with a view to enhancing the overall strength. We plan to achieve this goal through the following strategies:

- Continue to focus on the development and operation of high-end real estate projects in prime locations in major cities and popular vacation destinations
- Maintain a balanced portfolio of property developments and investments encompassing a variety of property types
- Continue to collaborate with local governments to diversify our sources of high quality land bank

- Continue to leverage our project development expertise, our relationship with Sinochem Group and our established SOE network to secure high-quality land resources

- Continue to enhance our brand awareness to stimulate sales and property prices

- Continue to incorporate innovation into our projects, creating technologically advanced and innovative projects

- Continue to implement green strategy to achieve innovative development and differentiated competition

Recent Developments

Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel

On June 12, 2020, the Company, Jinmao (China) Hotel Investments and Management Limited ("**Jinmao Hotel Investments and Management**") and Jinmao Hotel made a joint announcement, in which the Company requested the boards of Jinmao Hotel and Jinmao (China) Investments Manager Limited, in its capacity as trustee-manager of Jinmao Hotel, to put forward a proposal for the privatization of Jinmao Hotel and Jinmao Hotel Investments and Management. On September 28, 2020, the proposal for the privatization of Jinmao Hotel and Jinmao Hotel Investments and Management by way of a scheme of arrangement became effective. The total amount of cash paid for the privatization was approximately HK$3,190.5 million.

Redemption of subordinated guaranteed perpetual capital securities

On February 4, 2021, the Company exercised its optional redemption right to redeem the 2016 Perpetual Securities at the redemption price equal to the outstanding principal amount thereof plus any distributions (including any arrears of distribution and additional distribution amounts) accrued to (but excluding) February 4, 2021. The 2016 Perpetual Securities were redeemed in full on February 4, 2021, and after the redemption, there is no 2016 Perpetual Securities outstanding.

Issuance of subordinated guaranteed perpetual capital securities

On February 8, 2021, the Issuer issued the 2021 Perpetual Securities.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The summary consolidated financial and other information as of and for the years ended December 31, 2018, 2019 and 2020 set forth below are derived from our audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 included in this offering circular. This information should be read in conjunction with the financial statements, as well as the notes thereto, included elsewhere in this offering circular.

Our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 are prepared and presented in accordance with the HKFRS. HKFRS differs in certain material respects from generally accepted accounting principles in other jurisdictions.

Consolidated Income Statement

	For the year ended December 31,		
	2018	**2019**	**2020**
	(audited)	(audited and restated)	(audited)
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Revenue	38,732,667	43,355,941	60,053,878
Cost of sales	(24,194,452)	(30,591,198)	(47,939,514)
Gross profit	14,538,215	12,764,743	12,114,364
Other income and gains	2,722,393	6,135,704	8,698,685
Selling and marketing expenses	(1,051,610)	(1,302,401)	(1,600,582)
Administrative Expenses	(2,417,509)	(3,056,412)	(3,529,395)
Other expenses and losses	(36,146)	(6,916)	(4,381,312)
Finance costs	(2,420,573)	(2,270,766)	(2,726,978)
Share of profits and losses of joint ventures	369,183	722,390	371,098
Share of profits and losses of associates	10,749	(132,653)	698,297
Profit before tax	11,714,702	12,853,689	9,644,177
Income tax expense	(4,337,978)	(4,195,030)	(3,449,056)
Profit for the year	7,376,724	8,658,659	6,195,121
Attributable to owners of the parent	5,210,888	6,481,751	3,880,986
Non-controlling interests	2,165,836	2,176,908	2,314,135
	7,376,724	8,658,659	6,195,121

Other Financial Data

	For the year ended December 31,		
	2018	2019	2020
	(RMB'000/except percentages)		
EBITDA[(1)]	14,336,369	14,875,994	12,114,092
EBITDA margin[(2)]	37%	34%	20%

(1) EBITDA consists of profit for the year before net finance costs, income tax expenses, depreciation, amortization and fair value gains on investment properties and fair value gains on transfer from properties held for sale to 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 financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. 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.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

The following table reconciles our profit for the year under HKFRS to EBITDA for the periods indicated:

	For the year ended December 31,		
	2018	2019	2020
	(audited)	(audited and restated)	(audited)
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Profit for the year	7,376,724	8,658,659	6,195,121
Adjustments for:			
Net finance costs	2,420,573	2,270,766	2,726,978
Income tax expense	4,337,978	4,195,030	3,449,056
Depreciation	369,426	409,043	462,969
Recognition of prepaid land lease payments/depreciation of right-of-use assets	54,270	139,829	165,149
Amortization of intangible assets	10,755	13,407	20,940
Fair value gains on investment properties	(189,380)	(454,695)	(906,121)
Fair value gains on transfers from properties held for sale to investment properties	(43,977)	(356,045)	–
EBITDA	14,336,369	14,875,994	12,114,092

Consolidated Statement of Financial Position Data

	As of December 31,		
	2018	2019	2020
	(audited)	(audited and restated)	(audited)
	(RMB'000)	(RMB'000)	(RMB'000)
NON-CURRENT ASSETS			
Property, plant and equipment	10,729,103	10,911,268	11,307,055
Properties under development	50,127,258	69,270,546	59,355,429
Land under development	9,571,548	10,705,213	10,494,640
Investment properties	29,205,862	31,260,683	33,315,404
Right-of-use assets	–	1,614,306	1,635,192
Prepaid land lease payments	1,458,246	–	–
Intangible assets	44,815	50,023	107,472
Investments in joint ventures	7,346,601	11,511,385	16,319,443
Investments in associates	6,698,667	7,597,657	11,105,070
Due from related parties	1,967,350	8,257,752	14,413,792
Deferred tax assets	1,897,894	2,708,346	3,052,845
Due from non-controlling shareholders	3,625,331	1,069,839	866,814
Other receivables and other assets	300,000	359,599	410,581
Other financial assets	1,239,281	325,274	146,669
Long-term time deposit	–	3,300,000	–
Total non-current assets	124,211,956	158,941,891	162,530,406
CURRENT ASSETS			
Properties under development	48,471,834	62,241,273	79,473,565
Properties held for sale	8,991,061	11,783,581	19,399,605
Land under development	3,099,645	1,990,602	1,429,269
Inventories	120,197	174,174	175,892
Trade receivables	789,588	1,445,864	446,776
Prepayments, other receivables and other assets	20,020,799	30,252,240	38,075,532
Due from related parties	37,007,227	38,264,973	28,145,679
Contract assets	154,500	267,009	789,328
Prepaid tax	2,986,611	4,062,185	4,711,321
Other financial assets	2,199	1,077	501,047
Derivative financial instruments	847	–	–
Restricted bank balances	4,457,579	7,510,751	8,622,174
Cash and cash equivalents	21,324,200	17,945,788	43,455,580
Total current assets	147,426,287	175,939,517	225,225,768
CURRENT LIABILITIES			
Trade and bills payables	11,692,844	19,086,939	21,906,848
Other payables and accruals	68,158,124	82,790,873	104,802,117
Interest-bearing bank and other borrowings	21,976,235	26,911,435	27,771,429
Lease liabilities	–	75,244	96,548
Due to related parties	15,885,404	31,903,445	38,135,983
Tax payable	1,697,365	2,574,728	2,282,501
Dividend payable	–	–	–
Derivative financial instruments	–	18,133	10,403
Provision for land appreciation tax	2,680,888	3,290,135	2,074,146
Total current liabilities	122,090,860	166,730,932	197,079,975
NET CURRENT ASSETS	25,335,427	9,208,585	28,145,793
TOTAL ASSETS LESS CURRENT LIABILITIES	149,547,383	168,150,476	190,676,199

	As of December 31,		
	2018	2019	2020
	(audited)	(audited and restated)	(audited)
	(RMB'000)	(RMB'000)	(RMB'000)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	65,996,423	69,580,251	69,806,849
Long-term payables	–	70,000	71,996
Lease liabilities	–	120,365	1,003,027
Derivative financial instruments	44,769	34,991	85,389
Due to related parties	–	–	11,053,950
Deferred tax liabilities	5,240,924	5,910,515	6,827,906
Total non-current liabilities	71,282,116	75,716,122	88,849,117
Net assets	78,265,267	92,434,354	101,827,082
EQUITY			
Equity attributable to owners of the parent			
Share capital	20,416,452	21,250,860	26,132,248
Other reserves	15,379,784	24,697,500	20,629,816
	35,796,236	45,948,360	46,762,064
Non-controlling interests	42,469,031	46,485,994	55,065,018
Total equity	78,265,267	92,434,354	101,827,082

THE OFFERING

The following summary of the offering contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes, see "Description of the Notes."

Issuer	Franshion Brilliant Limited 方興光耀有限公司
Guarantor	China Jinmao Holdings Group Limited
Notes Offered	US$600,000,000 aggregate principal amount of 3.200% Guaranteed Senior Notes due 2026 (the "**Notes**").
Guarantee	The Company will guarantee the due and punctual payment of principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.
Issue Price	99.908% of principal amount of the Notes.
Issue Date	April 9, 2021
Maturity Date	April 9, 2026
Interest	The Notes will bear interest from and including April 9, 2021 at the rate of 3.200% per annum, payable semi-annually in arrears.
Interest Payment Dates	Semi-annually in arrears on April 9 and October 9 of each year, commencing October 9, 2021.
Status of Notes and Guarantee	The Notes are senior obligations of the Issuer that are guaranteed by the Company. The Notes and the Guarantee will rank at least equally in right of payment with all existing and future senior debt of the Issuer and the Company, respectively. The Notes and the Guarantee will respectively be effectively subordinated to all of the Issuer's and the Company's existing and future debt that is secured by assets that do not secure the Notes or Guarantee to the extent of the assets securing the debt. The Guarantee will be structurally subordinated to all liabilities (including trade payables) of all of the Company's subsidiaries.
Optional Redemption	Prior to the maturity date, the Issuer may redeem all or part of the Notes by paying the redemption price as described under "*Description of the Notes – Optional Redemption.*"
Additional Amounts	In the event that certain British Virgin Islands, Hong Kong or PRC taxes are payable in respect of payments pursuant to the Notes or the Guarantee, the Issuer or the Company, as the case may be, will, subject to certain exceptions, pay such Additional Amounts under the Notes as will result in receipt by the holders of Notes of such amounts as would have been received by them had no such deduction or withholding been required. See "*Description of the Notes – Taxation.*"

Change of Control	If the Company experiences a change of control and a rating decline (each as defined in the indenture) occurs, the Issuer will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued interest to the date of such repurchase. See "*Description of the Notes – Repurchase Upon a Change of Control Triggering Event.*"
Certain Covenants	The Issuer will issue the Notes under the indenture. The indenture will partially limit, among other things, the Issuer's and the Company's ability to: • create certain liens; and • merge or consolidate with other entities. Each of these covenants is subject to a number of significant exceptions and qualifications. The indenture will not contain any other covenants or other provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction involving us that could adversely affect the holders.
Absence of a Public Market for the Notes	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing...	Application will be made to the SEHK for the listing of, and permission to deal in the Notes by way of debt issues to Professional Investors only and such permission is expected to become effective one business day after the Issue Date.
Form, Denomination and Registration	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 and will initially be represented by one or more global notes registered in the name of a common depositary for Euroclear or Clearstream.
Ratings	The Notes are expected to be rated "BBB-" by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
Security Codes of the Notes..........	ISIN XS2208935374 Common Code 220893537
Trustee and Paying Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent..........	The Bank of New York Mellon SA/NV, Luxembourg Branch
Use of Proceeds	We intend to use the proceeds of the offering of the Notes to refinance existing medium- to long-term indebtedness due within one year.

Governing Law of the Indenture and the Notes	The State of New York
Risk Factors.................................	Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.
U.S. Selling Restrictions...............	Regulation S, Category 1

You should carefully consider the risks and uncertainties described below and other information contained in this offering circular before making an investment decision in relation to the Notes. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, prospects, financial condition and results of operations.

If any of the possible events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected and the market price of the Notes may decline. 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

Our operations could be materially and adversely affected by government policies and regulatory measures designed to slow the growth of the PRC real estate market

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

In 2007, property sales volumes and average selling prices in China increased to unprecedented levels, culminating in a property market downturn beginning in late 2007 due to the PRC government's intervention to stabilize market prices and reduce the level of property speculation. Property sales in China recovered in 2009 and experienced significant growth thereafter until early 2010.

On April 17, 2010, the State Council of the PRC (the "**State Council**") issued the *Notice of the State Council on Resolutely Curbing the Excessive Rise in Housing Prices in Some Cities* (國務院關於堅決遏制部分城市房價過快上漲的通知). This notice stipulated that where a purchaser finances the purchase of property with a mortgage loan, the applicable down payment for a first purchase of property larger than 90 sq.m. may not be less than 30% of the purchase price; the down payment for a second such property may not be less than 50% of the purchase price; and the loan interest rate may not be less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate requirements significantly increase for the third or additional properties purchased with mortgage loans.

On September 29, 2010, the China Bank and Insurance Regulatory Commission (the "**CBIRC**", previously the China Bank Regulatory Commission) and the PBOC collectively issued the *Notice on the Issues Concerning the Improvement of Differentiated Housing Credit Policies* (關於完善差別化住房信貸政策有關問題的通知). This notice stipulated that each commercial bank shall suspend extending mortgage loans for the purchase of a third house or more houses and to non-local residents who cannot provide a local tax payment certification or social insurance payment certification for more than one year. Where a purchaser finances the purchase of property with a mortgage loan, the applicable down payment for a first purchase of commodity residential property shall not be less than 30% of the purchase price.

On January 26, 2011, the General Office of State Council issued the *Notice of General Office of State Council on Relevant Issues in Relation to Further Improving Real Estate Market Regulation* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知). This notice increased the down payment to 60% of the purchase price for second-time home buyers, with a minimum loan rate not lower than 1.1 times of the benchmark interest rate.

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

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

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

On September 21, 2010, the Ministry of Natural Resources (the "**MNR**", previously the Ministry of Land and Resources) and the Ministry of Housing and Urban-Rural Development of the PRC jointly promulgated the *Circular on Further Strengthening the Macro-control of Use of Lands for Real Estate Development and Construction Administration* (關於進一步加強房地產用地和建設管理調控的通知). The circular regulates more stringently the acquisition and development of land for real estate development.

The circular provides that any real estate developer and its controlling shareholders are prohibited from acquiring new land if the developer has previously obtained land through fraudulent means or illegally transferred previously acquired land or left acquired land idle for one year or longer due failure to comply with the land grant contract. The circular also requires developers to commence the development of acquired land within one year and complete development of the same within three years from the date of delivery of the land from the authority. Developers must also strictly follow the terms and conditions set forth in land grant contracts and may potentially face liability in the event of any breach.

Since late 2010, certain local governments, including those in Shenzhen, Foshan, Guangzhou, Hangzhou, Shanghai, Shenyang and Wuhan have also implemented local regulatory and austerity measures affecting our industry. If local regulatory and austerity measures increase or expand in scope or to more localities where we have property projects, our business, financial condition and operating results may be materially and adversely affected.

According to the Notice of General Office of State Council on Relevant Issues in Relation to Further *Improving Real Estate Market Regulation* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) issued by the General Office of State Council on January 26, 2011, local residents can purchase no more than two houses and the purchasers must provide a local tax payment certification or a social insurance payment certification for a specified time (five years in Beijing). If the availability or attractiveness of mortgage financing is further reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

Meanwhile, Chongqing and Shanghai have introduced a real estate tax, which could have a profound impact on the real estate market. Also in 2011, the State Council proposed to develop 10 million units of affordable housing, and has required that 70% of available land be reserved for affordable housing.

On May 11, 2011, the MNR promulgated the Public Announcement of MNR (國土資源部公告), which strengthens the supervision of the development of lands and land supply and the reserving and idling of lands. On May 11, 2011, the MNR promulgated the Opinions on the Insisting on and Perfecting the Regime of Grant of Land Use Rights via Tender, Auction and Listing-for-sale (國土資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見). The opinions set out more factors to be considered by the authorities in the selection of the appropriate land developers and requires more mandatory terms and conditions be incorporated in the land grant contract.

On February 17, 2012, the Ministry of Housing and Urban-Rural Development of the PRC promulgated the Administrative Measures for Floor Area Ratio of Construction Land (建設用地容積率管理辦法), which provides that a land grant contract shall be invalid if the plot ratio and other planning conditions are not satisfied. Where the construction of a project is unable to be commenced as scheduled because of the application for plot ratio adjustment due to reasons attributable to the real estate developers or relevant individuals, the relevant regulations on the disposal of idle land will apply.

On February 15, 2012, the MNR promulgated the Notice of the Ministry of Natural Resources of the PRC on Key Work of the Regulation and Control of Real Estate Land Use in 2012 (國土資源部關於做好2012年房地產用地管理和調控重點工作的通知). The notice requires increasing the supply of ordinary commercial residential property land on a reasonable scale and strictly controlling the supply of high-grade commercial residential property land.

On July 19, 2012, the MNR and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the Urgent Notice to Further Tighten Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control over the Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) to strengthen the enforcement of macroeconomic policies in the real property market. According to the notice:

- Local governments are required to secure residential land supplies, especially land to be used for the development of government-subsidized residential units. Local governments are also required to strictly implement macroeconomic control policies in the real property market;

- Residential construction projects are required to commence within one year from the land title delivery date that is stipulated in the land allocation decision or land grant contract, and should be completed within three years from the date of commencement; and

- The land grant contract shall be executed within 10 business days after completing the land grant, and a down payment of 50% of the land grant fee shall be paid within one month after the contract is signed, with the remaining balance payable in installments within one year.

On February 26, 2013, the General Office of the State Council promulgated the Notice on a Continuous Work for the Control over the Real Estate Market (關於繼續做好房地產市場調控工作的通知) (the "**Notice**"), instituting stricter policies for the real property market including (i) stricter purchase restrictions for urban areas, (ii) stricter installment ratios, lending rates and credit verification requirements for real property purchases and (iii) broader application of the 20% income tax applied to gains from sales of self-owned residential properties.

Some local governments have released new rules to implement the Notice. For example, the local government in Beijing has banned single adult residents who have purchased a single residential property in Beijing from buying a second property, while the local government in Shanghai has banned the granting of credit to people for the purposes of buying their third residential property (a similar measure has already been adopted in Beijing).

The local governments of Beijing, Shanghai, Tianjin, Shenzhen and Chongqing have adopted stringent stipulations regarding the application of the 20% income tax applied to homeowners selling their residential properties as required by the central government. Furthermore, in 2013, some cities, such as Guangzhou, Chongqing, Tianjin and Qingdao, have planned that the growth of new commodity housing prices should be less than the actual growth of the average per capita disposable income of urban residents.

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

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

We are significantly affected by these government policies and regulatory measures. Even though we have recorded on average selling price of RMB25,500 in 2018 that we believe is high among our peers, any of the following could cause a decline in property sales volumes and average selling prices:

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

Our property development and other operations are subject to extensive governmental regulation and, in particular, we are susceptible to changes in policies related to property markets in China

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

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

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

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

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

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

The hotel industry depends on business and leisure travel, demand for and supply of hotel rooms and other factors outside our control

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

- adverse economic conditions;

- dependence on business, commercial and leisure travelers and tourism;

- dependence on meeting and conference business;

- seasonality in travel patterns;

- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns (including the Coronavirus Disease 2019 ("**COVID-19**") pandemic), rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travelers;

- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where our hotels operate and where our customers live;

- increased competition and periodic oversupply of guest accommodation, which may adversely affect occupancy rates and room rates;

- increases in operating costs due to inflation, labor costs (including the impact of unionization), workers' compensation and health-care related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their related consequences and other factors that may not be offset by increased room rates;

- changes in interest rates and in the availability, cost and terms of debt financing; and

- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

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

Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations

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

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

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

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

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

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

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

Our business and financial conditions may be adversely affected by disagreements or the termination of strategic relationships with local and overseas partners

We frequently enter into strategic relationships and develop properties in cooperation with local partners in the PRC. We also frequently enter into partnerships with strategic international partners such as Marriott, the Ritz-Carlton Group and the Starwood Group in the hotel operations business. As the flagship real estate development company of Sinochem Group, we have been able to capitalize on Sinochem Group's network and resources to establish cooperative relationships with local partners, such as Shanghai Real Estate, Qingdao Urban Investment Group, Changsha Meixi Lake Industrial Corporation Ltd. and the Management Committee of Dahexi Pilot Zone in Changsha.

Any future disagreement with local partners (in connection with the scope or performance of their respective obligations under the projects, for example) may affect our ability to develop or manage a property. Our local and overseas partners may be unable or unwilling to perform their obligations under the cooperative arrangements, and disputes with our local or overseas partners or the early termination of our cooperative arrangements with them could materially and adversely affect our business, prospects, financial condition and results of operations.

We may require significant capital resources to fund land acquisitions and property developments and our ability to raise capital is restricted by PRC regulations

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

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

- property developers cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;

- PRC banks may not extend loans to real estate companies for the purposes of funding the purchase of land use rights;

- a property developer cannot borrow from a PRC bank for a non-residential property project unless it funds at least 30% of the estimated total capital required for that project from its own capital;

- a property developer cannot borrow from a PRC bank for a project unless it obtains the land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit for that project;

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

In August 2020, the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) (the "**MOHURD**") and PBOC held a joint meeting to communicate with certain real estate enterprises and other relevant governmental authorities. During the meeting, the MOHURD, PBOC and other relevant governmental authorities jointly announced that they collectively formulated rules for monitoring funds and administration of financing activities of real estate enterprises, which would aim to establish a more market-oriented, rule-based and transparent administration over the financing activities of real estate enterprises. As of the date of this offering circular, such rules have yet to be released.

In addition, the PRC government introduced measures, such as changes to commercial bank reserve requirements and lending sector restrictions, that may adversely affect our access to capital and financing. On December 31, 2020, PBOC and CBRIC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBRIC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period. We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital. 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 fund our land acquisitions or property developments and therefore may require us to maintain a relatively higher level of internally sourced funds.

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

We may not be able to renew our current credit facilities or obtain sufficient funding to develop future projects or meet other capital needs when required at a commercially reasonable cost or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to begin new projects or to continue the development of existing projects and increase our financing costs. For the year ended December 31, 2018, 2019 and 2020, our average financing cost (being the effective rate of interest paid by the Company in respect of its indebtedness) was 5.1%, 4.9% and 4.4% (average cost of RMB-denominated on-shore loans being 5.1% and average cost of USD-denominated off-shore loans being 2.2%), respectively.

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

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

We depend on the growth of the urban middle and upper-middle classes in China. Our residential developments target residents with high levels of disposable income with demand for modern and high-quality living conditions and the products and services we provide. A significant downturn in the PRC economy could adversely affect such demand as well as demand by corporations and other professional firms for our office properties.

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

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

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

Our activities are subject to risks associated with the property development industry

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

Before a property development generates revenue, we must make a variety of material expenditures, including acquiring development rights and constructing property development infrastructure. As a result, our current and future property development activities are exposed to the following risks:

- construction and other development costs for a development project which exceed original expectations or make completion of the project uneconomical;
- changes in property development opportunities resulting in lost deposits or inability to recover expenses;
- inability to complete construction of a property on schedule, or on budget, due to a variety of factors including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in PRC government priorities and policies, changes in market conditions, delays in the relocation process, delays in obtaining the requisite licenses, permits and approvals from government authorities and other problems and circumstances, resulting in delays or increased expenses and construction costs;

- delays or lower prices in the sale or leasing of developed properties, including as a result of the supply and demand of comparable properties, and the cyclical nature of the real estate industry in China; and

- fluctuations in occupancy rates, rent levels and sales prices for completed properties.

We face intense competition

The property development industry in China is highly competitive, and we face competition from major domestic developers and, to a lesser extent, foreign developers, primarily from other countries or regions in Asia, including several leading developers from Hong Kong. Competition among property developers may increase the costs for land acquisitions and raw materials and administrative costs for hiring or retaining qualified personnel, result in shortages of skilled contractors and an oversupply of properties, decrease property prices and rent levels, and slow the rate at which new property developments will be approved and/or reviewed by government authorities.

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

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

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

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

- foreign debt registrations shall not be processed for real estate enterprises with foreign investment that have obtained approval certificates on or after June 1, 2007 and have registered with MOFCOM,

- real estate enterprises with foreign investment which were incorporated before June 1, 2007 shall still have the right to incur foreign debts within the statutory limit. This limit equals the lesser of (i) the outstanding balance of total investment and registered capital prior to the increase or (ii) the outstanding balance of total investment and registered capital after the increase, and

- real estate enterprises with foreign investment which have not obtained a land use right certificate or for which the project capital has not reached 35% of the project's total investment may not incur foreign debt. SAFE will not process the foreign debt registration and approval for foreign debt settlement of such real estate enterprises.

On May 11, 2013, SAFE issued the Notice of State Administration of Foreign Exchange on Promulgation of the Provisions on Foreign Exchange Control on Direct Investments in China by Foreign Investors and Supporting 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) and further amended on October 10, 2018 and December 30, 2019, which requires that real estate enterprises need to provide registered files to MOFCOM for making foreign exchange registrations. Pursuant to the Circular Regarding Further Improvement of the Registration of Foreign-Invested Real Estate Industry (商務部、外匯局《關於進一步改進外商投資房地產備案工作的通知》) jointly issued by MOFCOM and SAFE which was effective from November 6, 2015 to January 1, 2020, registered files are no longer required to be provided to MOFCOM as a condition for making a foreign exchange registration. However, registration with MOFCOM of real estate enterprises with foreign investment must still be completed.

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

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

In addition, although the establishment of foreign invested companies and increasing registered capital in existing foreign invested companies do not require approvals from MOFCOM according to the *Provisional Measures on the Registration of the Establishment and Amendment of Foreign Invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》) issued by the MOFCOM on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, due registration with MOFCOM or its local counterparty is still required, which still may entail delays.

On May 11, 2018, the NDRC and the MOF promulgated the Circular of the National Development and Reform Commission and the Ministry of Finance on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risk 《國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》, which may further restrict the Group's financing capacity through foreign debt. In addition, according to the interpretation published on the website of the NDRC on June 27, 2018, the proceeds raised from an offshore debt offering by a real estate company shall be mainly used to repay the issuer's existing debt. The real estate company is restricted from using such proceeds to finance its domestic or overseas real estate projects or to supplement its working capital.

On July 12, 2019, the NDRC issued the Notice Regarding the Application Requirements in Relation to the Filing and Registration of Foreign Debt Issuance by Real Estate Enterprises (國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知) (the "**778 Notice**"), which stipulates that real estate enterprises issuing foreign debt may only use the proceeds therefrom to refinance medium-or long-term foreign debt which is scheduled to mature within the next year. The 778 Notice also requires the real estate enterprises to specify certain details of the foreign debt to be refinanced in the application materials for the registration of foreign debt, including the size, the remaining tenor and the NDRC foreign debt registration status of such existing debt. Real estate enterprises issuing foreign debt must also submit a Commitment Letter on the Truth of the Foreign Debt Issuance and provide further disclosure on the use of proceeds in offering documents for such issuances, such as the prospectus.

Furthermore, the PRC government may introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China 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.

The terms on which residential mortgages are available in China may affect our sales

A vast majority of our property purchasers rely on mortgages to fund their purchases. Fluctuations in interest rates may significantly increase the cost of mortgage financing of properties. The PBOC increased the benchmark one-year lending rate two times in 2010 and three times in 2011. In 2012, the PBOC decreased the one-year lending rate twice. In 2014, the PBOC decreased the benchmark one-year lending rate once. The PBOC decreased the benchmark one-year lending rate five times in 2015. On August 16, 2019, pursuant to the Announcement [2019] No.15 of the People's Bank of China on the Reform and Improvement of the Formation Mechanism of Loan Prime Rate (LPR), the PBOC decided to reform and improve the formation mechanism of loan prime rate ("**LPR**") and **provided that** the banks shall mainly refer to the LPR for interest rates pricing in newly issued loans and adopt the LPR as the pricing benchmark in floating rate loan contracts. Fluctuations in interest rates will increase the cost of mortgage financing for our potential customers, and as a result, we may experience lower demand for our properties. In addition, the PRC government and commercial banks may increase down payment requirements, impose other conditions or otherwise change the regulatory framework or lending policies in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

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

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

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

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

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

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

In line with industry practice, banks typically require us to guarantee the obligations of purchasers of our property to repay the mortgage loans issued by such bank on the property. For more information, see "*Risk Factors – Risks Relating to Our Business – We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments*" and "*Business – Property Development – Payment for and financing of residential units.*"

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

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

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

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

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 mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. For more information, see "*Business – Property Development – Payment for and financing of residential units.*" If a default occurs and our relevant guarantee is called, our business, prospects, financial condition and results of operations may be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

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

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

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

The PRC central and local governments may regulate the means by which property developers, including us, obtain land sites for property developments. See "*– Our property development and other operations are subject to extensive governmental regulation and, in particular, we are susceptible to changes in policies related to the property markets in China.*" In addition, there may not be land available in attractive locations in our target cities for new development or re-development.

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

We are subject to legal and business risks if our subsidiaries fail to obtain or renew our qualification certificates

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

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

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

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

We may not be able to obtain land use right certificates for certain land parcels held for future development and may be subject to stricter payment terms for land use rights with respect to land we acquire as a result of any additional restrictive regulations promulgated by the PRC

As of the date of this offering circular, we have entered into land grant contracts for certain land parcels but have not yet obtained the land use right certificates for such land parcels. We may not be able to obtain land use right certificates with respect to these land parcels in a timely manner, or at all. If we fail to do so, we may not be able to acquire new replacement land on terms acceptable to us, or at all, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

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

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

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

Our results of operations and operating cash flow may vary significantly from period to period

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

The sale of properties we develop is subject to general market and economic conditions in the areas where we conduct business and the level of acceptance of our properties by prospective customers. We recognize revenue upon the completion and delivery of the properties to purchasers, which may typically take up to two years after the commencement of pre-sales. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period.

In addition, our trade receivables are RMB446.8 million as at December 31, 2020 and any inability to collect such trade receivables on a timely basis will adversely impact our cash flow position. Furthermore, our business depends on obtaining adequate supplies of raw materials and is subject to fluctuations in the market prices of raw materials.

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

Our financial condition, profit margins and cash flows may be affected by the mix of development projects that we undertake

Our financial condition, profit margins and cash flows may be affected by the mix of development projects that we undertake. Since 2011, we have been engaged in primary land development as well as the development of residential properties. As of December 31, 2020, we were engaged in over 270 city operations and property development projects in different stages of development at sites in China, including seven primary land development projects: Changsha Meixi Lake International New City Project, Nanjing Qinglong Mountain International Ecological New City Project, Ningbo Life Science City Project, Shanghai Window Smart Science City Project, Zhengzhou Erqi District Mazhai New City Project, Wenzhou Gu'ao Tou and Jinhua Jinmao Future Science City. Our primary land development projects generally require greater capital expenditures and result in higher inventories than our residential property development projects.

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

Our profitability may be affected by the periodic revaluation of our investment properties required by HKFRS

We hold certain investment properties for lease to commercial tenants. We must reassess the fair value of our investment properties on each reporting date for which we issue consolidated financial statements. Our valuations are based on market prices or alternative valuation methods, such as discounted cash flow analysis based on estimated future cash flows. In accordance with HKFRS, we must recognize changes to the fair value of our properties as a gain or loss (as applicable) in our consolidated statements of comprehensive income.

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

The fair value of our investment properties may decrease in the future. Any decrease in the fair value of our investment properties will adversely affect our profits.

The illiquid nature of, and the lack of alternative uses for, investment properties could limit our ability to respond to adverse changes in the performance of our properties

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

Unforeseen changes relating to the properties, market conditions or otherwise could significantly affect the value of investment properties. We cannot assure you that we will be able to sell any or all of our investment properties at prices equal to their valuations on our balance sheet or otherwise on terms satisfactory to us, or at all.

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

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

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

We may not be able to generate adequate returns on our properties held for long-term investment purposes

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

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

Our business, prospects, financial condition and results of operations may be materially and adversely affected by increases in the cost of labor and construction materials

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

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

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

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

We rely on independent contractors

We engage independent contractors to provide various services, including construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We generally select contractors through public tenders.

We invite selected contractors to tender bids according to their reputation for quality, track record and references, and supervise the construction progress once the contract is awarded. However, we cannot assure you that the services rendered by any of these contractors will always be satisfactory or match our requirements for quality.

Although we have not experienced any material problems of delay or incompletion, we cannot assure you that our properties under development or properties held for future development will be completed on time, or at all. If our contractors cannot deliver satisfactory services due to financial or other difficulties, we might incur additional costs and suffer reputational harm, which may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not be able to complete our property development projects on time or at all

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

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

In particular, the on-going COVID-19 outbreak in China has resulted in travel restrictions and delay or suspension of some business activities in China. Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in increased costs, harm to our reputation, loss of or delay in recognizing revenues and lower returns. In addition, if we fail to complete a property that we have pre-sold by the agreed delivery time, we will typically be liable to the purchasers for their losses and such purchasers may seek compensation for late delivery pursuant to the pre-sale contracts or PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and make a claim for damages.

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

In addition, regulatory changes, competition, inability to procure governmental approvals or required changes in project development practices could occur at any stage of the planning and development process. We may not be able to complete projects that we are developing or plan to develop and may find ourselves liable to purchasers of the pre-sold units for losses suffered by them.

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

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property developers in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third party contractors with respect to 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, we could incur significant expenses to resolve such claims or face delays in correcting the related defects. This could in turn harm our reputation and materially and adversely affect our business, prospects, financial condition and results of operations.

We are exposed to risks relating to pre-sale of properties, and changes in laws and regulations with respect to pre-sale of properties may materially and adversely affect our business, prospects, financial condition and results of operations

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

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

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

Failure to obtain alternative funding at a low cost, or at all, may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, under current PRC laws and regulations and pursuant to pre-sale contracts entered into with purchasers of our properties, we are liable for potential breaches of the terms of the pre-sale contracts. See "*Risk Factors – We may not be able to complete our property development projects on time or at all.*"

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

We are party to master agreements with PRC government entities which may not be implemented as agreed

We may enter into master agreements with PRC government entities which are subject to certain rules. For example, on January 26, 2011, our wholly-owned subsidiary, Jin Mao Group, entered into a master agreement with the Management Committee of Dahexi Pilot Zone in Changsha, Changsha Meixi Lake Industrial Corporation Ltd and Shanghai Jin Mao Economic Development Co., Ltd with respect to the development of Meixi Lake International Service and Technology Innovation City, which covers an aggregate area of approximately 11,452 mu (approximately 7.6 million sq.m.).

In February 2015, we successfully obtained the primary development rights to the Nanjing Jiangning Shangfang City Center Shanty Town Renewal Project. We would be in charge of land requisition, compensation and resettlement, construction and other related subsequent developments within the area, which has a site area of approximately 3.92 square kilometers with planned land for construction of approximately 3.23 square kilometers and a planned GFA of approximately 3.80 million sq.m.

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

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

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

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

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

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

We are subject to a variety of laws and regulations concerning the protection of health and the environment. Environmental laws could prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with health and environmental laws and conditions could result in delays, may cause us to incur substantial compliance costs and other costs and can severely restrict project development activities in environmentally sensitive regions or areas.

As required by PRC laws, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and environmental impact assessment documents were submitted to the relevant government authorities for approval before commencement of construction. Local authorities may request a developer to submit environmental impact documents, issue orders to suspend construction and impose a penalty on a project where environmental impact assessment documents have not been approved before commencement of construction. There may be material environmental liabilities of which we are unaware, and which may materially and adversely affect our business.

Our insurance coverage may not be adequate to cover all risks related to our operations

Under PRC laws, construction companies bear primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear supplemental liability if the construction company is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are caused by the fault of the owner.

If we suffer any losses, damages or liabilities in our operations, we may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, we may sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our financial condition and results of operations.

We may be involved in legal and other proceedings arising out of our operations or otherwise and may face significant liabilities as a result

We may be involved in disputes with various parties involved in the development and rental and sale of our properties, including contractors, suppliers, construction workers, purchasers, tenants and local partners. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention, regardless of the outcome. 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 purchasers.

In addition, in the ordinary course of our business, legal actions may also arise from disputes over whether our projects are completed or delivered as agreed. Such legal actions, if determined adversely against the Company or any of our subsidiaries, may materially and adversely affect our financial condition and results of operations. In addition, we may have disagreements with regulatory bodies, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments.

Any failure to protect our brand, trademarks and other intellectual property rights could negatively impact our business

We believe our brand, trademarks and other intellectual property are integral to our success. Our brand has gained significant recognition in the PRC and we have received several industry awards. We believe the success of our business depends in part on our continued ability to use and promote our brand and trademarks. While we rely on intellectual property laws in the PRC to protect our intellectual property, any unauthorized use of such intellectual property could adversely affect our business and reputation.

Historically, China has not protected intellectual property rights to the same extent as certain other countries do, and infringement of intellectual property rights continues to pose a serious risk to doing business in China. Moreover, monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Any litigation or dispute in relation to our brand, trade names or trademarks could result in substantial costs and the diversion of resources.

Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving. If we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights and our business, prospects, financial condition and results of operations may suffer materially.

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

Facts and statistics in this offering circular relating to China's economy and the industries in which we operate are derived from publicly available 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 their respective advisers.

We make no representation as to the accuracy of these facts and statistics, which may not be consistent with other information compiled within or outside China. Due to 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.

Risks Relating to the PRC

The political, economic and social situation in the PRC may materially and adversely affect our business, prospects, financial condition and results of operations

Substantially all of our operations are conducted in China. Accordingly, our business, prospects, financial condition and results of operations are, to a significant degree, subject to political, economic and social developments in China. The PRC economy differs from the economies of most developed countries in many respects, including differences with a respect to structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payments.

Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, the PRC government still owns a substantial portion of productive assets in China. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies.

The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may also negatively impact us. For example, our business, prospects, financial condition and results of operations may be materially and adversely affected by government control over capital investments, changes in tax regulations, changes in interest rates and statutory reserve rates for banks and government control over bank lending activities.

Although we believe the economic reform measures implemented by the PRC government will positively affect the PRC's long-term development, we cannot predict whether changes in the economic, political and social conditions of the PRC will materially and adversely affect our business, prospects, financial condition and results of operations. Even if new policies may benefit property developers in the long term, we cannot assure you that we will be able to successfully adjust to such policies.

China has been one of the world's fastest growing economies as measured by GDP in recent years. However, as a result of the negative impact of the global economic crisis, China's real GDP growth declined to 9.6% in 2008 and further to 9.2% in 2009, compared to 14.2% in 2007. The PRC government implemented various measures to stimulate economic growth and China's real GDP growth rebounded to 10.3% in 2010 before slowing again to 9.2% in 2011. China's real GDP growth further decreased to 7.8% in 2012, 7.7% in 2013, 7.4% in 2014, 6.9% in 2015 and 6.7% in 2016. In 2017 China's real GDP growth increased to 6.9%, before decreasing again to 6.6% in 2018 and 6.1% in 2019. If the Chinese economy experiences a slowdown in growth or a downturn, property demand may decline and our business, prospects, financial condition and results of operations may be materially and adversely affected. Most recently in 2020, due to the outbreak of COVID-19 and the resulting disruption in business activities and travel restrictions, China's real GDP shrank for the first time since 1992 by 6.8% in the first quarter of 2020, before returning to an increase by 3.2% in the second quarter of 2020 and 4.9% in the third quarter of 2020. See "*– The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business*."

In addition, demand for our properties may be affected by a variety of factors, some of which may be beyond our control, including:

- instability or changes in social conditions of 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;
- the imposition of additional restrictions on currency conversion and remittances abroad;
- the adoption and expansion of trade restrictions or the occurrence of a trade war;
- changes in interest rates; and
- deterioration of the global credit market and economic conditions.

In addition, the occurrence of or escalation in China – U.S. trade tensions and the uncertainty of a resolution of trade conflicts may further dampen the economic activities in China; a breakdown in trade relations between the U.S. and China could also delay the global economic recovery in recent years, threatening the ongoing economic expansion and the increasing cross-border transactions trend. Most recently in 2020, following the outbreak of COVID-19, the relations between the U.S. and China has brought new complexities to the bilateral relationship and there might be uncertainties in the China – U.S. trade relations.

Against the backdrop of China-U.S. trade tensions, the U.S. Department of Defense released in 2020 and January 2021 lists of Chinese companies (including Sinochem Group, our ultimate parent company) claiming that the companies are Communist Chinese military companies for purposes of Section 1237 of the National Defense Authorization Act for Fiscal Year 1999. These lists are based on the U.S. government's intelligence, which apparently enabled the U.S. Department of Defense to determine that the companies therein are owned or controlled by the Chinese military. In November, 2020, the U.S. President signed an executive order, which prohibits any purchase for value or sale by any U.S. person of publicly traded securities (or securities that are derivatives thereof or designed to provide investment exposure to such securities) of any company identified as a Communist Chinese military company. As of the date of this offering circular, we are not listed as a Communist Chinese military company. However, there remains uncertainty as to whether the U.S. government will take further actions in relation to China-based companies, including us, and the impact of such actions. To the extent we and/or the Issuer are listed as Communist Chinese military companies in the future or such executive orders or related U.S. government directives otherwise would apply to us and/or the Issuer, the market liquidity of the Notes may be materially and adversely affected and Holders who are U.S. persons may be required to divest their holdings in the Notes and may have to do so at a loss.

Any significant changes in relation to any of these factors may materially and adversely affect our business, prospects, financial condition and results of operations.

Uncertainty with respect to the PRC legal system could affect our business, and it may be difficult to effect service of process upon us or our directors or officers that reside in the PRC, or to enforce against us or them in the PRC any judgments obtained from non-PRC courts

As substantially all of our businesses are conducted and substantially all of our assets are located in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference.

Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial laws. However, because 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, the interpretation of PRC laws and regulations involves uncertainty.

Depending on the way an application or case is presented to a government agent and on the government agent itself, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the violation occurs. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Substantially all of our directors and officers reside within the PRC. In addition, substantially all of our assets and substantially all of the assets of our directors and executive officers are located within the PRC. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, investors may not be able to effect service of process upon us or persons in the PRC, or to enforce judgments from non-PRC courts against us or such persons in the PRC. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be extremely difficult.

Under the Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences for us and our non-PRC shareholders

Under the Enterprise Income Tax Law (中華人民共和國企業所得稅法) ("**EIT Law**"), an enterprise established outside of China with a "de facto management body" within China is deemed a "resident enterprise,"meaning that it can be treated in a manner similar to a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income."The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

The Notice on Issues Relevant to Foreign-registered Chinese-invested Holding Enterprises Determined as Resident Enterprises in Accordance with Actual Management Organization Standard (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) issued by the State Administration of Taxation on April 22, 2009 and further amended on December 29, 2017 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with a "de facto management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China.

In addition, pursuant to the Measures for the Administration of Income Tax for Chinese-controlled Resident Enterprises Registered Overseas (the "**Measures**") (境外註冊中資控股居民企業所得稅管理辦法(試行)) issued by the State Administration of Taxation on July 29, 2011 and further amended on April 17, 2015, June 28, 2016 and June 15, 2018, the State Administration of Taxation may decide whether a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" as a result of an application by such foreign enterprise or an investigation conducted by the relevant tax authorities.

Currently we are not treated as a PRC resident enterprise by the relevant tax authorities and have not applied for such a treatment. Since substantially all of our management is currently based in China, we may be deemed a "resident enterprise" under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on our global income in the future. If we are not considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on the Notes to our overseas creditors will not be subject to PRC withholding tax.

If we are treated as a PRC resident enterprise for the purposes of the EIT Law, the interest on the Notes may be subject to PRC withholding tax at a rate of 10% if paid to a non-PRC resident enterprise holder of the Notes and 20% if paid to a non-PRC resident individual holder of the Notes. In addition, any gain a holder may realize from the transfer of the Notes may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at a rate of up to 10% in the case of a non-PRC resident enterprise holder and 20% in the case of a non-PRC resident individual holder (in each case unless an applicable treaty provides otherwise). Such taxes would materially and adversely affect the value of an investment in the Notes.

Some of our subsidiaries have received preferential tax treatment that has been phased out

Under the *PRC Income Tax Law for Foreign-Invested Enterprises and Foreign Enterprises* (中華人民共和國外商投資企業和外國企業所得稅法) (the "**FIE Income Tax Law**") which was effective from July 1, 1991 to January 1, 2008, foreign-invested enterprises engaged in manufacturing businesses were entitled to certain tax exemptions and other preferential tax treatment.

The EIT Law replaces the FIE Income Tax Law and applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. The EIT Law also provides a transition period for enterprises that were entitled to certain preferential tax treatment prior to the promulgation of the EIT Law.

Most of our subsidiaries incorporated in China are incorporated as foreign-invested enterprises. In the past, some of them have enjoyed certain preferential tax treatments. The discontinuation of any preferential tax treatment may cause our effective tax rate to increase, which may increase our income tax expenses and in turn decrease our net income.

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

The PRC government imposes 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 controls and imposing restrictions on purchases of properties in China by foreign persons. For example, the *Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Property Sector* (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 stipulates, among other things, that:

- foreign investment in the property sector in the PRC relating to luxury 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; and

- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities.

These 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 materially and adversely affect our business, prospects, financial condition and results of operations.

The PRC government may impose a penalty on us or require the forfeiture of land for any of our projects that were not or have not been developed in compliance with the terms of the land grant contracts

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. In 2008, the State Council issued a notice which requires, among others, that land use rights be strictly revoked for land parcels left idle for two years or more and that an idle land fee be imposed at 20% of the land transfer or grant price for land parcels left idle for one to two years.

Even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment the project, and development of the land is suspended continuously for more than one year without government approval, the land may still be treated as idle land. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period.

Circumstances leading to the forfeiture of land or imposition of a penalty may arise in the future. If we and our subsidiaries are required to forfeit land, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover the development costs and other costs incurred up to the date of forfeiture. Any requirement that we pay idle land fees or other related penalties may materially and adversely affect our business, prospects, financial condition and results of operations.

Final GFA of any of our completed property development projects that exceeds the permitted GFA is subject to governmental approvals and may result in additional payments on our part

Local government authorities inspect a property development project after its completion and issue a "Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report" (房屋建築工程和市政基礎設施工程竣工驗收備案證明) ("**Completion Certificate**") if the development complies with relevant laws and regulations. If the total constructed GFA of a property development project exceeds the GFA originally authorized in the relevant land use right grant contracts or construction permit, the property developer may be required to pay additional amounts before a Completion Certificate is issued.

Local government authorities may find that the total constructed GFA of our existing projects under development or any future property developments exceeds the relevant authorized GFA upon completion. If we fail to obtain Completion Certificates due to such non-compliance, we will not be allowed to deliver the relevant properties or recognize revenue from the relevant pre-sold properties and may also be subject to liabilities under relevant pre-sale contracts.

The amount of resettlement compensation payable to those subject to resettlement is regulated and may be subject to substantial increases

If the land parcels we acquire in the future have existing buildings or structures or are occupied by third parties, we may be responsible for paying resettlement costs prior to developing the land. In accordance with the *Regulation on the Expropriation of Buildings on State-owned Land and Compensation* (國有土地上房屋徵收與補償條例) that became effective on January 21, 2011, the relevant government department overseeing the expropriation of property in the PRC must enter into a written agreement with individuals or entities that reside in locations subject to expropriation. This agreement should provide compensation for the expropriation of such property, the relocation and resettlement of such individuals or entities and the loss or suspension of production or business, as applicable.

The amount of compensation is based on an analysis subject to the aforesaid factors and may not be calculated consistently. The land acquisition costs may be subject to substantial increases which could materially and adversely affect our business, prospects, financial condition and results of operations.

In addition, if the local government fails to reach an agreement over compensation with the owners or residents, any party may apply to the relevant governmental authorities for a ruling on the amount of compensation, which may delay the timetable of our projects or result in higher compensation costs than anticipated. Such delays will lead to an increase in the cost and a delay in the expected cash flows resulting from pre-sales of the projects, which may in turn materially and adversely affect our business, prospects, financial condition and results of operations.

There is a lack of reliable and updated information on property market conditions in the PRC

We are subject to property market conditions in the PRC generally and, in particular, in Beijing, Shanghai and the other cities in which we operate. Currently, reliable and up-to-date information on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment is not generally available in the PRC.

Consequently, our investment and business decisions may not always have been, and may not in the future be, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly U.S. dollars

On August 11, 2015, to improve the central parity quotations of the Renminbi against the U.S. dollar, the PBOC authorized market-makers to provide central parity quotations to the China Foreign Exchange Trading Center daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on August 11, 2015, the Renminbi depreciated significantly against the U.S. dollar in the remainder of 2015 and 2016 before rebounding in 2017. In 2018 and 2019, the Renminbi experienced further fluctuations in value and depreciated significantly against the U.S. dollar. On August 5, 2019, the PBOC set Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amid an uncertain trade and global economic climate.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in further devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations.

Such a 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 our U.S. dollar-denominated indebtedness. There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks.

The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business

Natural disasters, epidemics, acts of war and political unrest, which are beyond our control, may materially and adversely affect the economy of the PRC and the cities in which we operate. Some areas in the PRC are under the threat of earthquakes, ice storms, floods, sandstorms, droughts or other natural disasters. For instance, in May 2008, April 2010 and April 2013, high-magnitude earthquakes occurred in the Sichuan Province and the Qinghai Province.

These disasters may cause significant casualties and loss of properties and any of our operations in the affected areas could be adversely affected. If similar or other inclement weather or climatic conditions or natural disasters occur, our operations may be hampered, which could adversely impact our business, results of operations and financial condition. In addition, certain areas of China are susceptible to epidemics such as SARS, H5N1 flu, H7N9 flu, H1N1 flu, or COVID-19.

A recurrence of SARS or an outbreak of H5N1 flu, H7N9 flu, H1N1 flu, COVID-19 or any other epidemics in China in general or in our target cities could result in material disruptions to our property developments, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations. Political unrest, acts of war and terrorism may also disrupt our business and markets, injure our employees, cause loss of lives or damage our properties, any of which could negatively impact our sales, costs, overall financial condition and results of operations. In particular, since the beginning of 2020, the outbreak of COVID-19 has resulted in travel restrictions and substantial disruptions in business activities around the world. The Chinese economy shrank for the first time since 1992 by 6.8% in the first quarter of 2020 before returning to an increase by 3.2% in the second quarter of 2020 and 4.9% in the third quarter of 2020. Despite signs of recovery, there is no assurance that PRC economy will see a robust rebound in 2020 and 2021. Additionally, the spread of COVID-19 globally and the resulting global economic distress may also cause a slowdown in the recovery of Chinese economy. The ongoing outbreak of COVID-19 may continue to have an adverse impact on our hotel operations, commercial leasing and retail operations and has created uncertainties in our city operations and property development operation. Moreover, our consolidated results of operations, cash flows and financial condition might be materially and adversely affected.

The potential for wars or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, prospects, financial condition and results of operations may as a result be materially and adversely affected.

Risks Relating to the Notes and the Guarantee

The Issuer has no material assets and relies on us to make payment under the Notes

The Issuer, a wholly-owned subsidiary of ours, was established specifically for the purpose of issuing debt securities such as the Notes, and will on-lend the net proceeds of such issuance to the Company. The Issuer does not and will not have any material assets other than amounts due to it from the Company in respect of such on-loan, and the Issuer's ability to make payments under the Notes will depend on our receipt of timely payments from the Company in respect of such on-loan.

We are a holding company and payments with respect to the Notes and the Guarantee are effectively subordinated to certain 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. The Notes will not be guaranteed by any current or future subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries. Accordingly, our ability to satisfy our obligations under the Guarantee will depend upon our receipt of principal and interest payments on any intercompany loans and distributions of dividends from our subsidiaries.

Other creditors, including trade creditors of our subsidiaries and any holders of preferred shares in our subsidiaries, would have a claim on our subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes and the Guarantee will be effectively subordinated to all existing and future obligations of our subsidiaries (other than the Issuer's), 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 (other than the Issuer) will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. In addition, even if the Company were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Company.

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

As a holding company, we depend on receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries to satisfy our obligations, including our obligations under the Notes and the Guarantee. The ability of our subsidiaries and associates to pay dividends and make payments on intercompany loans or advances to us 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.

Pursuant to certain PRC project loan agreements, some of our PRC subsidiaries are restricted from distributing dividends or making other distributions to us unless such loans are paid off or consent is obtained from the relevant lenders. 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 the Guarantee. 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 Guarantee.

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 and associates 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 addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding 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. 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 tax rate may be lowered to 5%.

However, according to current PRC tax regulations, an approval from the local tax authority for enjoying the 5% withholding tax rate is required and such lower rate will be denied to "conduit" or shell companies without business substance. As a result, there could be restrictions, including timing limitations, on payments from our PRC subsidiaries to meet payments required by the Notes or to satisfy the obligations under the Guarantee.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends from our subsidiaries to satisfy our obligations under the Notes or the Guarantee.

The Notes do not contain restrictive financial or operating covenants

The Indenture will contain various covenants intended to benefit the interests of the holders of the Notes that limit our ability to, among other things: incur liens and consolidate or merge with or into, or sell substantially all of our assets to, another person.

These covenants are subject to a number of important exceptions and qualifications. For more details, see "*Description of the Notes.*" The Indenture, however, does not contain restrictive financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us. In addition, the Indenture does not contain any other covenants or provisions that require us or the Issuer to achieve or maintain any minimum financial results relating to our or its respective financial position or results of operations. The Issuer's ability to recapitalize, incur additional debt and take other actions that are not limited by the terms of the Notes could have the effect of diminishing the Issuer's ability to make payments on the Notes when due or our ability to make payment on the Guarantee, if required.

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

Upon the occurrence of a Change of Control Triggering Event (as defined in "*Description of the Notes*"), the holders of the Notes will have the option to require the Issuer to repurchase their Notes at 101% of the principal amount plus accrued and unpaid interest. We may not be able to repurchase the Notes upon a Change of Control Triggering Event because we may not have sufficient funds. Our failure to repurchase the Notes upon a Change of Control Triggering Event would cause a default under the Notes, which in turn may 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 redeem the Notes and repay the debt.

In addition, the change of control provisions in the Notes may not protect you from certain important corporate events, such as a leveraged recapitalization (which would increase the level of our indebtedness), reorganization, restructuring, merger or other similar transactions, unless such transaction constitutes a change of control under the Notes. The definition of change of control for purposes of 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.

The Issuer may elect to redeem the Notes prior to their maturity

Pursuant to terms of the Notes, the Issuer may elect to redeem the Notes prior to their maturity in whole or in part at the price specified in the section entitled "*Description of the Notes – Optional Redemption*". The date on which the Issuer elects to redeem the Notes may not accord with the preference of particular Noteholders. In addition, a Noteholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Notes.

The ability of the holders of the Notes to accelerate payment on the Notes may be limited by the action or inaction of other holders of the Notes

The terms and conditions of the Notes require that the holders of the Notes must represent at least 25% of the outstanding Notes to be entitled to accelerate the Notes upon the occurrence and continuance of an event of default, other than certain insolvency events, which automatically accelerate the Notes. In addition, the same percentage of Notes is required in order to give notice to the Issuer or to us to remedy certain breaches of the terms and conditions of the Notes. The terms and conditions of the Notes also permit holders representing a majority of the outstanding Notes to waive certain defaults. Therefore, your right to accelerate payments on the Notes would be limited by the action or inaction of other holders of the Notes.

The Notes and the Guarantee are unsecured obligations

As the Notes and the Guarantee are unsecured obligations, the repayment of the Notes may be compromised if:

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

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

The ratings of the Notes may be downgraded or withdrawn

The Notes are expected to be rated "BBB-" by Fitch. The rating represents the opinions of the rating agency and its assessment of the ability of the Issuer and the Company to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes.

A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. Neither the Issuer nor the Company is obligated to inform holders of the Notes if the rating is lowered or withdrawn. A reduction or withdrawal of the rating may adversely affect the market price of the Notes and our ability to access the debt capital markets.

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 subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. 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 the PRC including evidence that the relevant PRC taxes have been paid. If any of our PRC subsidiaries for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, such PRC subsidiary will be unable to pay us dividends, which would adversely affect our ability to satisfy our obligations under the Notes.

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

The Company is listed on the SEHK. There may be less publicly available information about the Company and our subsidiaries 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 respects from generally accepted accounting principles in other jurisdictions, which might be material to the financial information contained in this offering circular.

The insolvency laws of Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar because the Company is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Company would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

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

The Notes are a new issue of securities for which there is currently no trading market. The Issuer will seek a listing of the Notes on the SEHK. 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. If the Notes are allocated to a limited group of investors, and a limited number of investors hold a significant proportion of the Notes, liquidity will be restricted and the development of an active trading market for the Notes will be affected. We cannot predict whether an active trading market for the Notes will develop or be sustained.

Conditions in international financial markets may adversely affect the market price of the Notes

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with operations in China, including the Notes, is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. The sub-prime mortgage crisis in 2008, the recent economic crisis in Europe and the United Kingdom's exit from the European Union on January 31, 2020 have brought significant volatility to international financial markets.

USE OF PROCEEDS

We estimate the gross proceeds to us from the sale of Notes offered pursuant to this offering circular to be US$599,448,000. We intend to use the proceeds of the offering of the Notes for the refinancing of existing medium-to long-term indebtedness due within one year.

CAPITALIZATION

The following table sets forth our consolidated current interest-bearing and other bank borrowings, non-current interest-bearing and other bank borrowings and equity as of December 31, 2020,

- on an actual basis;
- as adjusted to give effect to the redemption of the US$500 million subordinated guaranteed perpetual capital securities issued on February 4, 2016 (the "**2016 Perpetual Securities**") on February 4, 2021 and the issuance of 6.00% subordinated guaranteed perpetual capital securities in aggregate principal amount of US$500 million (the "**2021 Perpetual Securities**") on February 8, 2021; and
- as further adjusted to give effect to the issuance of the Notes offered hereby.

The as adjusted and as further adjusted information below is illustrative only and does not take into account any changes in our capitalization after December 31, 2020 other than as noted above. For additional information, see our financial statements and notes thereto included elsewhere in this offering circular.

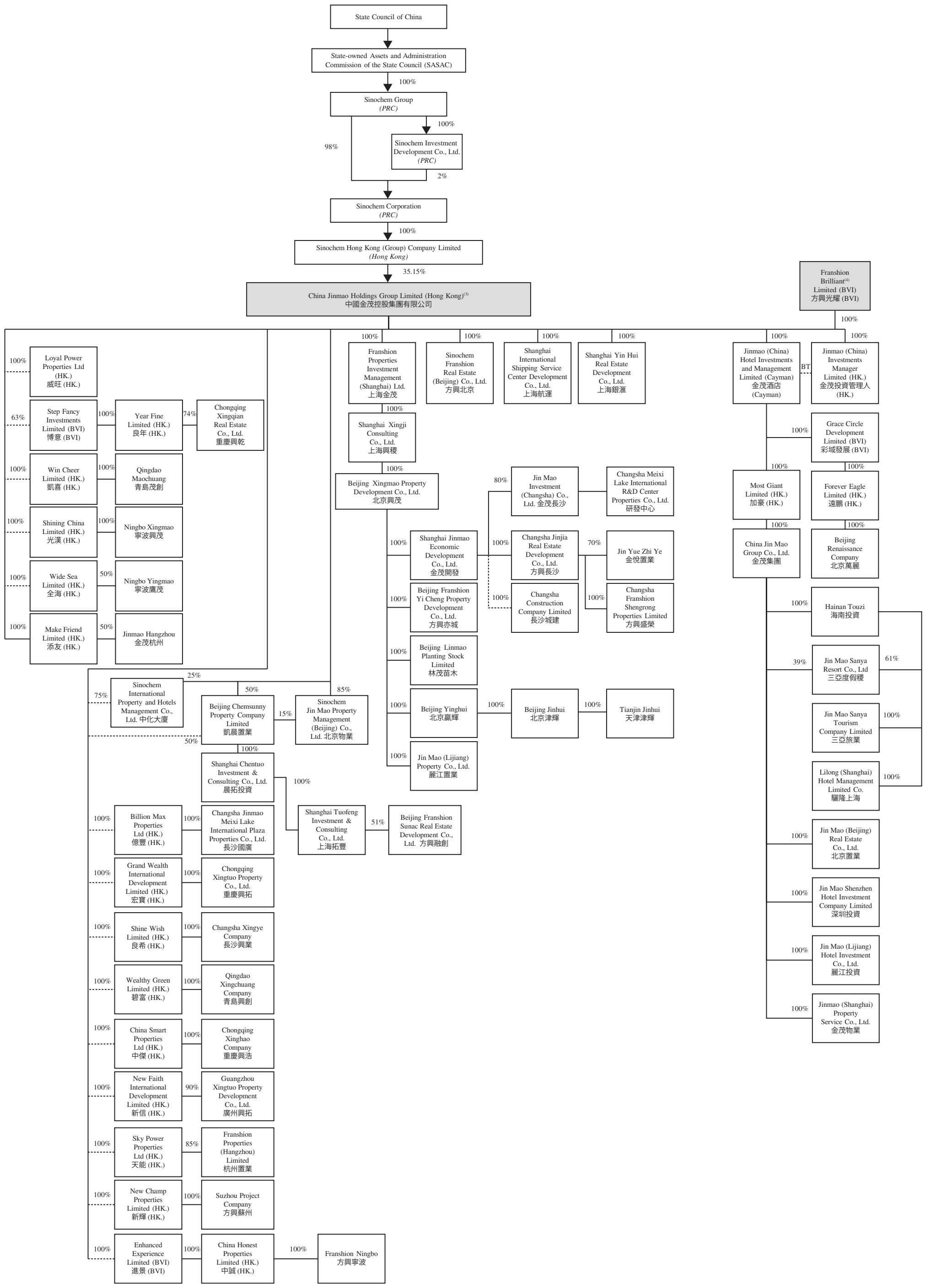
	As of December 31, 2020					
	Actual (unaudited)		As adjusted (unaudited)		As further adjusted (unaudited)	
	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Total current interest-bearing bank and other borrowings	27,771,429	4,256,158	27,771,429	4,256,158	27,771,429	4,256,158
Non-current interest-bearing bank and other borrowings	69,806,849	10,698,368	69,806,849	10,698,368	69,806,849	10,698,368
Notes offered hereby	–	–	–	–	3,915,000	600,000
Total non-current interest-bearing bank and other borrowings	69,806,849	10,698,368	69,806,849	10,698,368	73,721,849	11,298,368
Equity						
Share capital	26,132,248	4,004,942	26,132,248	4,004,942	26,132,248	4,004,942
Other reserves	20,629,816	3,161,658	20,629,816	3,161,658	20,629,816	3,161,658
Non-controlling interests	55,065,018	8,439,083	55,065,018	8,439,083	55,065,018	8,439,083
Total equity	101,827,082	15,605,683	101,827,082	15,605,683	101,827,082	15,605,683
Total capitalization(1)	171,633,931	26,304,051	171,633,931	26,304,051	175,548,931	26,904,051

(1) Total capitalization means total non-current interest-bearing bank and other borrowings plus total equity.

Except as disclosed elsewhere in this Offering Circular, there has not been any material adverse change in our capitalization and indebtedness since December 31, 2020. See "*Business – Recent Developments – Redemption of subordinated guaranteed perpetual capital securities*" and "*Business – Recent Developments – Issuance of subordinated guaranteed perpetual capital securities*" for more information.

STRUCTURE OF THE COMPANY

The following chart sets forth the shareholding and group structure of the Company[1][2] as of December 31, 2020.



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(1) This structure chart of the Company omits certain immaterial subsidiaries of the Company; unless stated otherwise herein, all subsidiaries of the Company are organised under the laws of the PRC
(2) The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available
(3) The Company
(4) The Issuer
--- Ownership through at least one other wholly-owned entity

DESCRIPTION OF THE ISSUER

Incorporation

The Issuer, Franshion Brilliant Limited 方興光耀有限公司, is a BVI business company incorporated under the laws of the British Virgin Islands on June 6, 2013. Its registered office is at Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands. The Issuer is a wholly-owned subsidiary of the Company.

Business Activity

The Issuer has not engaged since its incorporation in any material activities other than the issue of debt securities, including but not limited to the US$500,000,000 3.60% guaranteed senior notes due 2022 issued in March 2017, the RMB1,250,000,000 5.20% guaranteed senior notes due 2021 issued in March 2018, US$250,000,000 4.00% guaranteed senior notes due 2024 and US$500,000,000 4.25% guaranteed senior notes due 2029, all of which are guaranteed by the Company, and the issue of perpetual capital securities, including but not limited to the US$500,000,000 subordinated guaranteed perpetual capital securities issued in January 2017, the US$300,000,000 subordinated guaranteed perpetual capital securities issued in November 2017, the US$300,000,000 senior guaranteed perpetual capital securities issued in July 2017, the US$200,000,000 senior guaranteed perpetual capital securities issued in September 2017, the US$300,000,000 senior guaranteed perpetual capital securities issued in December 2018, the US$400,000,000 subordinated guaranteed perpetual capital securities issued in December 2019 and the US$500,000,000 subordinated guaranteed perpetual capital securities issued in February 2021, all of which are guaranteed by the Company.

Directors

The directors of the Issuer are LI Congrui and JIANG Nan.

Share Capital

The maximum number of shares that the Issuer is authorised to issue is 50,000 ordinary shares. One ordinary share (with a nominal value of US$1.00) has been issued and is held by the Guarantor.

Financial Statements

As a matter of British Virgin Islands law, the Issuer is not required to prepare financial statements, but it is required to keep such records and underlying documentation as are sufficient to show and explain its transactions and which will at any time enable the financial position of the company to be determined with reasonable accuracy.

Overview

We are a leading property developer and operator of large-scale and high-end residential and commercial real estate projects and engage in other real estate and hotel activities and businesses in major cities and popular vacation destinations in the PRC. Our ultimate parent company, Sinochem Group, is currently one of the 21 SOEs approved by SASAC to principally engage in real estate businesses, and one of six SOEs approved by SASAC to engage in hotel operations. Sinochem Group was rated "A" in corporate performance by SASAC and Moody's, S&P and Fitch have assigned a corporate rating of "A3", "A-" and "A", respectively, with a stable outlook to Sinochem Hong Kong, a wholly-owned subsidiary of Sinochem Corporation.

We pursue development opportunities at prime locations in China's major cities and have established an integrated development platform in three major business segments: city operations and property development, commercial leasing and retail operations and hotel operations. Our projects are located in Beijing, Shanghai, Chongqing, Shenzhen (Guangdong Province), Sanya (Hainan Province), Qingdao (Shandong Province), Changsha (Hunan Province), Nanjing (Jiangsu Province), Suzhou (Jiangsu Province), Lijiang (Yunnan Province), among other locations, and include notable developments such as the Jin Mao Tower, the Beijing Chemsunny World Trade Center, the Westin Beijing, Chaoyang and the Ritz-Carlton, Sanya.

The following map depicts the major cities in which we have city operations and property development projects, investment properties and hotels:

In adherence to our vision of "Unleashing Future Vitality of the City", we focus on high-end positioning and premium quality and we endeavour to become a leading city operator in China. Based on our forecasts for future city development, we have integrated the concept of mutually beneficial city planning to enhance regional functions and city vitality. Currently, we have successfully entered the markets China's rapidly developing regions including the Beijing-Tianjin-Hebei Metropolitan Region, the Yangtze River Delta and the Pearl River Delta. As of December 31, 2020, we were engaged in over 270 city operations and property development projects in 51 core cities including Beijing, Tianjin, Shanghai and Guangzhou.

We have won numerous industry awards:

Major Integrated Awards

- In March 2019, at the "2019 China Top 100 Real Estate Developers Research Conference cum the 16th China Top 100 Real Estate Developers Summit" jointly organized by the three research institutes, namely the Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy, we were ranked the 22nd among the "2019 China Top 100 Real Estate Developers,"and honored with the titles of "2019 China Top 100 Real Estate Developers by Profitability Top 10," "2019 China Top 100 Real Estate Developers by Growth Top 10" and "2019 China Top 100 Real Estate Developers by Financing Capabilities Top 10."

- In March 2019, at the 2019 Guardian Annual Forum organised by the Guardian Index Academy, we were ranked 14th among the 2019 Real Estate Excellence Top 100 in the PRC.

- In June 2019, we were ranked among the "15th China Blue Chip Real Estate Developers for 2019" at the 16th China Blue Chip Real Estate Developer Annual Conference organized by Economic Observer, an authoritative media.

- In August 2019, we were ranked among 449th of the 2019 Top 500 Asian Brands organized by the World Brand Lab for the first time.

- In September 2019, we were ranked 32nd among the 2019 Top 50 Most Valuable Real Estate Development Brands at the "Appraisal Results Conference of 2019 China Real Estate Developers cum Real Estate Brand Development Summit" jointly organized by the China Real Estate Association, Shanghai E-house Real Estate Academy and China Real Estate Brand Appraise Center.

- In September 2019, we were granted the China Jinmao AAA among the 2019 Top 50 China Real Estate Green Credit Ranking organised by the Investment Association, Green Ranking and Finance.

- In December 2019, we were ranked first among the 2019 Top 10 Most Competitive Green Property Developers in the PRC and were named one of the 2019 Top 10 Most Competitive Green Commercial Property Operators in China at the 21st China International Real Estate & Architectural Technology Fair (2019).

- In April 2020, we were awarded the title of "Comprehensive Brand Power Company" in the 17th Blue Chip Annual Conference in 2020 hosted by the Economic Observer.

- In November 2020, we were awarded the title of "2020 Outstanding City Operator" at the annual China Enterprise Competitiveness Conference organized by China Business News.

Major City Operations and Property Development Awards

- In March 2019, Beijing Daxing Jinmao Residence Project earned the "2019 Most Anticipated Development" at the Leju Beijing Innovation Summit cum Leju Award Ceremony of the Best Property Agency (樂居北京創新峰會暨樂居地產群英會頒獎典禮) organised by Sina Leju, and was honoured the "Most Valuable Residential Development in Glorious Twenty Years" 榮耀20年典藏人氣住宅) at the 20th Anniversary of Sohu Focus Brand Fair organised by Sohu Focus.

- In May 2019, Chengdu Wuhou Jinmao Palace won the title of "2019 Most Popular Real Estate Project in Chengdu Amongst Internet Users" at the 15th China Property Network Popularity Rankings (第十五屆中國房地產網絡人氣榜); in December 2019, it gained the title of "2019 Brand Value Property on the 2019 China Real Estate Billboard" (2019中國房產風雲榜2019年度品牌價值樓盤) by Anjuke.

- In July 2019, Qingdao Jimo International Smart New City Project obtained "BREEAM 3-star Certificate" granted by BRE Global Limited in the United Kingdom.

- In September 2019, the Shanghai Jinmao North Bund Land Project earned the "US LEED Certified Gold Rating."

- In December 2019, the Beijing Future Jinmao Palace Project was honoured with the Elite Science and Technology Award – Outstanding Green Community (精瑞科學技術獎綠色社區優秀獎) at the CRECC 2019 Annual Conference/the 16th Elite Habitat Award Forum approved by the Ministry of Science and Technology of the People's Republic of China and the National Office for Science and Technology Awards and organized by CRECC; the Beijing Serenity Palace Project was honoured with the Elite Science and Technology Award in Landscape Planning and Design (精瑞科學技術獎園林景觀規劃與設計優秀獎).

Major Hotel Awards

- In April 2019, Jinmao Hotel was titled the "2019 China Hotel Starlight Awards – Best Hotel Owner in China" (中國酒店業最佳業主) at the 2019 Asia Hotel Forum and Travel Annual Meeting cum the 14th China Hotel Starlight Awards.

- In September 2019, Jinmao Hotel was honoured with the title of "2019 Best Hotel Owner in China" at the 16th Golden Pillow Award of China Hotels (第十六屆中國酒店「金枕頭獎 – 2019年度中國最佳酒店業主」).

- In November 2019, Jinmao Hotel Lijiang • The Unbound Collection by Hyatt won the award of "the Hotel as the Best Destination" (最佳旅行目的地酒店) by the Examination Board of the Best Hotels (最佳酒店評選委員會).

Office and Other Project Awards

- In May 2019, Jinmao Property was ranked the 22nd among the "2019 Top 100 Property Service Companies" at the 2019 China Top 100 Real Estate Services' Latest Research Results Conference cum the 12th China Top 100 Real Estate Service Entrepreneur Summit (2019中國物業服務百強企業研究成果發佈會暨第十二屆中國物業服務百強企業家峰會)" organised by the China Index Academy and the China Real Estate Top 10 Research Team (中國房地產TOP10研究組).

- In August 2019, Jin Mao Tower was honoured with the title of "World's 50 Most Influential Tall Buildings" (全球50座最具影響力高層建築) by the Council on Tall Buildings and Urban Habitat.

- In September 2019, JM Capital was named one of the "2019 Top 50 Popular Institution for Private Equity Investment Among Start-ups in China" (2019年中國最受創業者歡迎私募股權投資機構TOP50) by 36Kr.com.

- In October 2019, Jin Mao Tower gained the platinum certification of LEED for Building Operations & Maintenance: Existing Buildings by U.S. Green Building Council at the 2019 Greenbuild China.

- In November 2019, Jinmao's Retail was named among the "TOP 100 Commercial Real Estate Developers with Outstanding Business Performance" (中國商業地產TOP100暨商業表現獎) in the 2019 China Commercial Real Estate Development Annual Report issued by the Guandian Index Academy (觀點指數研究院) at the 2019 Guandian Annual Commercial Convention.

- In November 2019, Jinmao Green Building was awarded the medal of "Strategic Partners of BREEAM" (BREEAM戰略合作夥伴) by BRE.

As of December 31, 2020, the total amount of our contracted sales was approximately RMB231.1 billion, and the amount of sales of properties and land contracted by us but not yet delivered and settled was approximately RMB301.7 billion. As of December 31, 2020, we have an aggregate GFA of 803,006 sq.m. of investment properties in our commercial leasing and retail operations business and a total of 3,968 rooms occupying an aggregate GFA of 637,191 sq.m. in our 10 hotel properties.

The following table sets forth our revenue by business segments.

	Year Ended December 31,					
	2018		2019		2020	
	(audited)		(audited)		(audited)	
	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)
City operations and property development	33,734.2	87	37,721.4	87	54,366.5	91
Commercial leasing and retail operations	1,449.8	4	1,446.8	3	1,461.4	2
Hotel operations	2,047.9	5	1,967.1	5	1,257.8	2
Others	1,500.8	4	2,220.6	5	2,968.2	5
Total	38,732.7	100	43,355.9	100	60,053.9	100

For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB38,732.7 million, RMB43,355.9 million and RMB60,053.9 million, respectively, and the profit attributable to owners of the parent and non-controlling interests was RMB7,376.7 million, RMB8,629.1 million and RMB6,195.1 million, respectively.

The following table sets forth our gross profit margin by business segments.

	Year Ended December 31,		
	2018	2019	2020
	Gross profit margin (%)		
Overall	38	29	20
City operations and property development	36	27	18
Commercial leasing and retail operations	87	87	86
Hotel operations	49	49	43

Basic earnings per share for the year ended December 31, 2020 were RMB31.86 cents, representing a decrease of 43% as compared with RMB55.64 cents for the year ended December 31, 2019. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was RMB26.51 cents for the year ended December 31, 2020, compared with RMB52.74 cents for the year ended December 31, 2019.

In August 2007, we were listed on the Main Board of the SEHK and are currently one of the component stocks of the Hong Kong Hang Seng Composite Index, Morgan Stanley Capital International China Index and National Association of Real Estate Investment Trust Global Emerging Index.

In 2014, the Company completed the spin-off of the properties in Jin Mao Tower and eight high-end hotels. As a result, our hotel operations were successfully and separately listed on the SEHK by trust structure under the name of Jinmao Hotel & Jinmao (China) Hotel Investments and Management Limited (formerly known as Jinmao Investments and Jinmao Holdings) (stock code: 06139). The spin-off and listing of the hotel operations segment effectively released the value of the hotel assets, expanded our investment and financing channels and improved the capital structure of the Company. The initial property portfolio for this spin-off includes: Jin Mao Tower (comprising Grand Hyatt Shanghai, office, retail and tourist areas), The Westin Beijing Chaoyang, JW Marriott Shenzhen, The Ritz-Carlton, Sanya, Hilton Sanya Resort and Spa, Hyatt Regency Chongming, Renaissance Beijing Wangfujing and Grand Hyatt Lijiang. Following our privatization of Jinmao Hotel & Jinmao (China) Hotel Investments and Management Limited by way of a scheme of arrangement, its listing on SEHK has been withdrawn on October 5, 2020. See "*Business – Recent Developments – Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel*" for more details.

Competitive Strengths

We believe that the following factors contribute to our strong competitive position:

Balanced portfolio of property developments and investments

We maintain a balanced portfolio of property developments and investments, including office buildings, luxury hotels, high-end residential properties and mixed-use commercial complexes. For the years ended December 31, 2018, 2019 and 2020, revenue from our city operations and property development business accounted for 87%, 87% and 91% respectively, of our total revenue; revenue from our commercial leasing and retail operations business accounted for 4%, 3% and 2%, respectively, of our total revenue; and our hotel operations business accounted for 5%, 5% and 2%, respectively, of our total revenue. We believe that our balanced business model increases revenue stability, reduces our operational risk and enhances the sustainability of our growth.

Our commercial leasing and retail operations and hotel operations businesses provide us with recurring income. In our commercial leasing and retail operations business, we focus on developing high-end commercial properties at prime locations in major cities in China. We have established close relationships with our major tenants, many of which are large SOEs and multi-national corporations, which contribute to a stable tenant profile and revenue stream. The occupancy rate for our five investment properties, the Beijing Chemsunny World Trade Center, Sinochem Tower, Jin Mao Tower – office portion, Nanjing Xuanwu Lake Jinmao Plaza Phase I – office portion and Changsha Meixi Lake International R&D Center, was 100%,100%, 92.7%, 86.2% and 100%, respectively, for the year ended December 31, 2019, and 100%, 96.1%, 93.4%, 93.2% and 100%, respectively, for the year ended December 31, 2020.

We have several other investment properties under development, which we anticipate will increase our recurring income upon their completion. In our hotel operations business, we focus on developing luxury hotels and resorts at prime locations in major cities and prime vacation destinations in China. As of December 31, 2020, our hotel operations comprised 3,968 rooms spread across 10 luxury hotels in China.

The recurring income from our commercial leasing and retail operations and hotel operations businesses is augmented by property sales from our city operations and property development business. We believe that pre-sales of our properties under development will generate significant cash flow, which will continue to contribute funding for future property development projects and investment and hotel properties.

Since 2010, the PRC government has introduced new policies intended to curtail overheating of the PRC property market. Many of these new policies are directed at the residential property market. See "*Risk Factors – Our operations could be materially and adversely affected by government policies and regulatory measures designed to slow the growth of the PRC real estate market*." Due to our diversified business model, we are exposed to relatively lower regulatory risks than our less diversified competitors that have a higher proportion of residential property developments and investments.

Geographically diverse businesses in prime locations in strategically targeted markets with high growth potential

We focus on developing and operating a geographically diverse portfolio of property developments and hotels in prime locations in a number of strategically targeted markets, including major cities such as Beijing, Shanghai, Chongqing, Changsha, Qingdao and Nanjing, and popular vacation destinations such as Sanya, Suzhou and Lijiang. We believe each of our target markets has high growth potential in terms of, among other factors, regional GDP, average income level, infrastructure, supply and demand dynamics, and ability to attract purchasers from outside that area, which contributes to sustainable growth of the property market.

Our commercial properties located in central business districts attract and retain high-profile tenants, including many SOEs and multinational corporations that are generally willing to pay premium rental rates for high-end commercial space. For example, Beijing Chemsunny World Trade Center is a property consisting of three parallel and interconnected 14-story office buildings centrally located at Beijing's "Finance Street", one of Beijing's prime business districts, with major tenants including The Export-Import Bank of China, Sinochem Group and Thomson Reuters. Jin Mao Tower and Sinochem Tower also have various high profile tenants, such as IBM, Manulife, Agricultural Bank of China and ICBC both for short- and long-term leases.

In addition, our luxury hotels are located in or close to central business and commercial districts as well as at popular vacation destinations, contributing to our relatively high occupancy rates and ability to charge premium room rates. For example, the Grand Hyatt Shanghai is centrally located in the Jin Mao Tower in the Pudong Lujiazui Finance and Trade Zone of Shanghai, and the Ritz-Carlton, Sanya is a prime beachfront property in the popular holiday destination of Sanya, Hainan Province.

We have selected target cities located in different parts of China featuring complementary growth profiles and different stages of economic development in order to diversify against regional market fluctuations. We believe the target markets in which we operate provide a solid platform for sustaining our business growth.

Strong support from our ultimate parent company, Sinochem Group, one of China's twenty-one SOEs under the direct supervision of SASAC allowed to develop and invest in real estate as part of its core businesses

We are the exclusive real estate platform of our ultimate parent company, Sinochem Group. Sinochem Group has been named in the "Fortune Global 500" 30 times, ranking 109th in 2020. It is a multi-industry conglomerate with businesses in energy, agriculture, chemicals, real estate and financial services. Sinochem Group is one of the 21 SOEs approved by SASAC to develop and invest in real estate as part of its core businesses and one of six SOEs approved by SASAC to engage in hotel operations.

Sinochem Group maintains a strong interest in the success of our business. As a result, we have been provided development and investment opportunities through our close ties with Sinochem Group. For example, we receive certain preferential rights from Sinochem Group, such as the right of first refusal to participate in the redevelopment of Sinochem Group's existing properties and the option to acquire Sinochem Group's equity stake in certain properties.

In addition, as one of Sinochem Group's core subsidiaries, we are able to utilize Sinochem Group's extensive network and resources. For example, we have established long-term cooperative relationships with well-established local partners and local governments to effectively gain access to local markets and obtain more property development opportunities through their strong support and local knowledge and networks of such partners and governments.

We also enjoy strong financial support from Sinochem Group. For example, Sinochem Finance Co. Ltd., Sinochem's financing arm, has from time to time provided us with a combination of short and long-term unsecured loan facilities.

Access to a prime land bank well-suited to our real estate development model

We have a successful track record of gaining access to land that is well-suited to our business model. The PRC government controls all new land supply, and government agencies grant land use rights for residential and commercial property developments through public tender, auction or listing-for-bidding. Many factors are considered in a government's decision to grant such land, including price and the relevant experience of the potential buyer.

We believe that many of our projects contribute to the overall development of the local communities where they are located and contribute to the capital growth of properties in the vicinity of our projects. As such, we believe that we have established a good reputation and strong relationships with local governments, which provide a significant advantage in obtaining prime development sites and allow us to maintain a sufficient project pipeline that is integral to maintaining our growth.

In addition, our successful track record of gaining access to prime land and developing high-end commercial and residential property, combined with our close relationship with Sinochem Group, local governments and industry operators, places us in a strong position to further acquire prime land for development. We selectively bid for land use rights, focusing on land suitable for high-end commercial and residential developments.

Our completed and on-going projects are located in Shanghai, Beijing, Chongqing, Sanya, Lijiang, Suzhou, Hangzhou, Guangzhou, Nanjing, Ningbo, Changsha and Qingdao, among others, all of which are locations in which we expect demand for high-end commercial and residential properties to grow.

Experienced management team

Our directors and senior management team are highly experienced in real estate development, finance and management. We believe that our success is largely attributable to our stable and experienced team of executive and non-executive directors which, as of the date of this offering circular, consists of 12 personnel, many of whom have over 10 years of experience with us or Sinochem Group. Our Chairman, Mr. Ning, has nearly 30 years' experience in real estate development and investment business management, capital markets and internal controls.

We are able to maintain the stability of our management team by (1) assigning them positions and duties in accordance with their interests and capabilities whenever possible; (2) establishing a healthy and harmonious corporate culture to help ensure that management enjoy their respective assignments and duties within the management team; (3) establishing fair and reasonable performance assessment metrics; and (4) providing competitive salaries and compensation. We believe that the extensive industry experience of our senior management helps us to successfully determine and implement our business strategy and direction. See "*Management*" for more details.

Strong brands and track record in developing innovative, high-end projects with high-quality construction

We believe that we have established strong brands and a track record of developing projects with innovative designs and high-quality construction under "*Franshion*" and "*Jin Mao*" brands and that this track record positions us well to take advantage of the current and expected growth in the PRC commercial and residential property sectors. In March 2019, at the "2019 China Top 100 Real Estate Developers Research Conference cum the 16th China Top 100 Real Estate Developers Summit" jointly organized by the three research institutes, namely the Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy, we were ranked the 22nd among the "2019 China Top 100 Real Estate Developers," and honored with the titles of "2019 China Top 100 Real Estate Developers by Profitability Top 10," "2019 China Top 100 Real Estate Developers by Growth Top 10" and "2019 China Top 100 Real Estate Developers by Financing Capabilities

Top 10." In March 2019, at the 2019 Guardian Annual Forum organised by the Guardian Index Academy, we were ranked 14th among the 2019 Real Estate Excellence Top 100 in the PRC. In June 2019, we were ranked among the "15th China Blue Chip Real Estate Developers for 2019" at the 16th China Blue Chip Real Estate Developer Annual Conference organized by Economic Observer, an authoritative media. In August 2019, we were ranked among 449th of the 2019 Top 500 Asian Brands organized by the World Brand Lab for the first time. In September 2019, we were ranked 32nd among the 2019 Top 50 Most Valuable Real Estate Development Brands at the "Appraisal Results Conference of 2019 China Real Estate Developers cum Real Estate Brand Development Summit" jointly organized by the China Real Estate Association, Shanghai E-house Real Estate Academy and China Real Estate Brand Appraise Center. In September 2019, we were granted the China Jinmao AAA among the 2019 Top 50 China Real Estate Green Credit Ranking organised by the Investment Association, Green Ranking and Finance. In December 2019, we were ranked first among the 2019 Top 10 Most Competitive Green Property Developers in the PRC and was named one of the 2019 Top 10 Most Competitive Green Commercial Property Operators in China at the 21st China International Real Estate & Architectural Technology Fair (2019). In April 2020, we were awarded the title of "Comprehensive Brand Power Company" in the 17th Blue Chip Annual Conference in 2020 hosted by the Economic Observer. In November 2020, we were awarded the title of "2020 Outstanding City Operator" at the annual China Enterprise Competitiveness Conference organized by China Business News.

To achieve high quality designs, we engage internationally-renowned architects and designers to create innovative and unique properties. For example, we engaged Skidmore, Owings & Merrill LLP, a U.S.-based architectural design firm, to design the Beijing Chemsunny World Trade Center. To ensure that the Beijing Chemsunny World Trade Center project would meet high construction quality standards, we engaged a well-known engineering corporation, China State Construction Engineering Corporation, to construct the project.

Track record of prudent financial management and access to diverse funding sources

We adhere to relatively conservative financial practices in the management of our business and capital structure. We typically finance our operations through a mixture of internal cash reserves and credit facilities and have also issued shares, senior notes, perpetual convertible securities and perpetual capital securities. Over the years, we have built up strong financial flexibility with established access to capital markets and diversified funding channels.

We maintain a strong liquidity position. As of December 31, 2020, we had cash and cash equivalents of approximately RMB43,455.6 million and committed undrawn facilities totalling approximately RMB101,567.1 million with a net gearing ratio[1] of 41%. We believe our prudent financial management is reflected in our strong balance sheet and healthy credit profile, which have been instrumental in securing domestic and international financing.

In addition, we have further pushed ahead with the "Zhongxin Scheme" which effectively secures investment demand to achieve low-cost and multi-channel financing and we have officially implemented the Administrative Measures on Investment and Financing Matching to increase investment management capabilities and optimize resource allocation. We also have expanded our funding channels by the issuance of property management fee ABS, RMB dim sum bonds and perpetual medium-term notes. From 2017 to 2018, our debt structure remained unchanged with approximately 70% RMB debt and 30% non-RMB debt. In 2019, our debt structure was approximately 67% RMB debt and 33% non-RMB debt. In 2020, our debt structure has changed to approximately 36% RMB debt and 64% non-RMB debt. The amount of credit facilities available to us has increased from RMB130 billion in 2018 to RMB157 billion in 2019 and has further increased to RMB173.6 billion as of December 31, 2020. Correspondingly, we have also seen an increase in the amount of undrawn facilities, from RMB60 billion in 2018 and to RMB87 billion in 2019 and further to RMB101.6 billion as of December 31, 2020.

1 Net gearing ratio = (total interest-bearing bank and other borrowings – total cash balance)/(total equity + amount due to the immediate holding company)

Pioneer in green strategy to achieve innovation driven, long-term growth

We believe that our property resources and experience enable us to capitalize on our know-how and research and development capabilities to extend the application of building technology to the provision of whole-life cycle technological services for green and healthy, smart technology buildings. In addition, based on the whole-life cycle of city operations, we believe we are well positioned to gradually form a comprehensive service system with an emphasis on property and ancillary services which features tenant recruitment and services, as supplemented by services of retail and hotel management.

Jinmao Green Building pursues a technology-led strategy and continues to lead and improve industry standards with a focus on comprehensive services in the areas of smart energy and building technology. In 2019, Jinmao Green Building was granted the licensing rights of one invention patent, 37 utility model patents and six software copyrights.

Our smart energy initiative emphasizes research and development of smart energy technologies. In 2020, we held the inauguration ceremony of the scientific research and experimental base of Jinmao Green Building was held in the Renhe Sci-tech Park of Liando U Valley in Shunyi District, Beijing, with five laboratories designed to facilitate the research and development of building technology and smart energy projects. In addition, we continue to step up efforts to expand our building technology entities into the external markets and augment technology systems in the whole-process services from design, consultation, supply, construction, commissioning to operation and maintenance. As of December 31, 2020, we have completed the investment, construction and operation of 54 energy stations at municipality, region and project level, with a total energy supply area of approximately 40 million sq.m. During the year ended December 31, 2020, we obtained patent authorizations including 14 invention grants, 86 utility model patents, 15 design patents and 10 software copyrights.

In addition, we are also committed to the national green standards development and have participated in the drafting of the following national standards or guidelines, including:

- Green Residential Area Standard;
- Healthy Building Evaluation Standard;
- Design Standard of Energy Conservation of Residential Buildings;
- Energy Conservation Monitoring Standard of Heating Supply System;
- Energy Efficiency Monitoring Standard of Air Conditioning and Cold Source System; and
- Guidelines on Design and Construction Technologies of Green and Eco-Friendly Urban Areas.

In 2019, we also participated in various green conferences, including the 15th Conference on International Green and Energy-Efficient Building cum New Technologies and Products Expo in April, Green Health and Smart Technology – 2019 China Healthy Building Research Series Salon in June and the 2019 Summit on Green Building Industrial Chain in China cum the 21st China International Real Estate & Architectural Technology Fair in December.

We have also obtained a variety of green credentials. As of December 31, 2020, we obtained 219 green building certifications or labels labels, including a total of 125 national green building certifications or labels, 52 BREEAM certifications, 28 LEED certifications, one passive low-energy building design certification, eight WELL certifications, two Guobiao healthy building certifications, one French HQE 5-star certification, and two other provincial certification green building labels, and the total GFA of projects that have satisfied the design requirements of green label was 20,983,600 sq.m. In 2019, we also issued inaugural green bond in 2019 and ranked among the "Top 10 Companies in Green Development Competitiveness" at the China International Real Estate & Architectural Technology Fair 2019.

Strategies

We aim to continue to grow as a leading developer and operator of high-end commercial properties, residential properties, mixed-use commercial complexes and luxury hotels in the PRC. We continue to adhere to "two-wheel and two-wing driven" development strategy and constantly strengthen the growth vitality of our core businesses of property development and property holding while accelerating the transformation and implementation of our innovation businesses, such as finance and services, with a view to enhancing the overall strength. We plan to achieve this goal through the following strategies:

Continue to focus on the development and operation of high-end real estate projects in prime locations in major cities and popular vacation destinations

We intend to continue to focus on developing and operating high-end real estate projects, in particular commercial and residential property complexes and hotels, at prime locations in China's major cities and popular vacation destinations. We believe that high-quality and notable properties, such as Jin Mao Tower, a landmark in Shanghai, and the Ritz-Carlton, Sanya, can command higher prices and higher long-term appreciation potential and enable us to achieve better operating results.

We have several high-end real estate projects under development, including the Shanghai International Shipping Service Center located on the banks of the Huangpu River in Shanghai. As of December 31, 2020, we were engaged in over 270 city operations and property development projects at different stages of development at sites located in Beijing, Shanghai, Suzhou, Hangzhou, Guangzhou, Changsha, Qingdao, Lijiang, Chongqing, Nanjing, Ningbo, Tianjin, Foshan, Shenzhen, Zhengzhou, Wuhan, Hefei and Wuxi, including 27 city operations projects.

Maintain a balanced portfolio of property developments and investments encompassing a variety of property types

We plan to maintain a balanced portfolio of property developments and investments, including office buildings, luxury hotels, high-end residential properties and mixed-use commercial complexes. For example, we are developing the Lijiang Jinmao Whisper of Jade Dragon Project as a mixed-use complex incorporating high-end residential properties, a luxury hotel and retail properties and have developed the Shanghai Dongtan Jinmao Noble Manor project into an integrated recreation, sports and holiday resort, consisting of a sports park, low-density residential properties, a holiday resort and property right hotels. We also plan to actively adjust the proportion of properties held for long-term management and properties developed for sale to achieve a balanced operational portfolio and to increase revenue stability and visibility, reduces our operational risk and enhances the sustainability of our growth.

Continue to collaborate with local governments to diversify our sources of high quality land bank

Although we still focus primarily on acquiring land use rights and developing high-end commercial and residential properties for sale or investment, we have recently begun collaborating with local governments in developing land prior to the land use rights allocation process.

Pursuant to this agreement, we will manage all land requisition, compensation and resettlement, preliminary municipal infrastructure and urban public facilities planning, and other related developments within the Changsha Meixi Lake Primary Land Development Project area. Following the sale of the land plots by the local government, we are entitled to receive the land development fee from local authorities. We will be allowed to subsequently participate in the bidding for or auction or listing-for-sale of the land developed in connection with the project.

Continue to leverage our project development expertise, our relationship with Sinochem Group and our established SOE network to secure high-quality land resources

We typically acquire land use rights through competitive bidding or cooperation with local governments, or by purchasing these rights from third parties or by indirectly acquiring such rights through purchasing equity interests in companies that hold the desired land use rights. Accordingly, we believe our project development experience and established industry relationships strengthen our ability to secure land resources.

In addition, as one of Sinochem Group's core subsidiaries, we are able to utilize Sinochem Group's extensive network and resources in negotiations with governmental authorities to secure rights to develop projects. We intend to capitalize on our experience and relationships, including with Sinochem Group, to acquire land in locations with vibrant economies and high revenue potential, including the Yangtze River Delta, the Pearl River Delta, the Bohai Bay Region (which includes the Beijing metropolitan region), the Central China region and popular vacation destinations in China.

Continue to enhance our brand awareness to stimulate sales and property prices

We intend to promote our brand names by focusing on high-quality and innovative projects, enhancing our customers' overall satisfaction and reinforcing the association of the Franshion and Jin Mao brands with prestige and quality. We will continue to build market recognition of our brand names through marketing initiatives such as advertising campaigns, participation in international property exhibitions and organizing customer promotion events.

For example, in April 2019, Jinmao Hotel was titled the "2019 China Hotel Starlight Awards – Best Hotel Owner in China" (中國酒店業最佳業主) at the 2019 Asia Hotel Forum and Travel Annual Meeting cum the 14th China Hotel Starlight Awards. In September 2019, Jinmao Hotel was honoured with the title of "2019 Best Hotel Owner in China" at the 16th Golden Pillow Award of China Hotels (第十六屆中國酒店「金枕頭獎 – 2019年度中國最佳酒店業主」). In August 2019, the Company was ranked at 449th among the 2019 Top 500 Asian Brands organized by the World Brand Lab for the first time. In September 2019, the Company was ranked 32nd among the 2019 Top 50 Most Valuable Real Estate Development Brands at the "Appraisal Results Conference of 2019 China Real Estate Developers cum Real Estate Brand Development Summit" jointly organized by the China Real Estate Association, Shanghai E-house Real Estate Academy and China Real Estate Brand Appraise Center.

In 2020, we obtained 219 green building certifications and labels. In 2018 and 2019, the Company was ranked first among the "Top 10 Green Development Competitiveness Enterprises" for two consecutive years.

Continue to incorporate innovation into our projects, creating technologically advanced and innovative projects

To help ensure the quality and utility of our developments, we consult with potential clients prior to designing and constructing new projects. During this process, we work with internationally-renowned architectural and design firms, such as the U.S.-based Skidmore, Owings & Merrill LLP, to incorporate innovative concepts and technology into our projects. We intend to continue to innovate in an effort to create technologically advanced projects.

For example, we plan to develop offices, residential buildings and hotels with technologically advanced features designed to conserve energy, allow natural light to enter buildings and enhance the aesthetics of the development. We believe that by incorporating such innovation into our projects, we will be able to provide our customers with unique and attractive properties and distinguish our projects and businesses from those of our competitors.

Continue to implement green strategy to achieve innovative development and differentiated competition

We intend to implement green strategy as a means to achieve the Company's innovative development and to establish its competitive advantage. During 2019, we also issued an inaugural offshore green bond. We are also the first real estate company in China approved to issue green corporate bonds. In December 2017, we obtained the China Securities Regulatory Commission's approval for issuance of up to RMB4.4 billion domestic green corporate bonds. During 2020, we obtained 36 green building certifications and labels for a total of 25 projects, including a total of 24 Guobiao green building labels, 8 BREEAM certifications, 1 LEED gold certification, 1 WELL gold certification, 1 French HQE 5-star certification and 1 Guobiao healthy 2-star certification. The above included two Sino-British green building joint dual certifications. As of December 31, 2020, the total GFA of our projects that satisfied the design requirements of green and healthy labels or certifications was 20,983,600 sq.m.

Recent Developments

Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel

On June 12, 2020, the Company, Jinmao (China) Hotel Investments and Management Limited ("**Jinmao Hotel Investments and Management**") and Jinmao Hotel made a joint announcement, in which the Company requested the boards of Jinmao Hotel and Jinmao (China) Investments Manager Limited, in its capacity as trustee-manager of Jinmao Hotel, to put forward a proposal for the privatization of Jinmao Hotel and Jinmao Hotel Investments and Management. On September 28, 2020, the proposal for the privatization of Jinmao Hotel and Jinmao Hotel Investments and Management by way of a scheme of arrangement became effective. The total amount of cash paid for the privatization was approximately HK$3,190.5 million.

Redemption of subordinated guaranteed perpetual capital securities

On February 4, 2021, the Company exercised its optional redemption right to redeem the 2016 Perpetual Securities at the redemption price equal to the outstanding principal amount thereof plus any distributions (including any arrears of distribution and additional distribution amounts) accrued to (but excluding) February 4, 2021. The 2016 Perpetual Securities were redeemed in full on February 4, 2021, and after the redemption, there is no 2016 Perpetual Securities outstanding.

Issuance of subordinated guaranteed perpetual capital securities

On February 8, 2021, the Issuer issued the 2021 Perpetual Securities.

Our Principal Business Activities

We divide our business activities into the following four business segments:

- city operations and property development;
- commercial leasing and retail operations;
- hotel operations; and
- others.

As of December 31, 2020, the total amount of our contracted sales was approximately RMB231.1 billion, and the amount of sales of properties and land contracted by us but not yet delivered and settled was approximately RMB301.7 billion. As of December 31, 2020, we have an aggregate GFA of 803,006 sq.m. of investment properties in our commercial leasing and retail operations business and a total of 3,968 rooms occupying an aggregate GFA of 637,191 sq.m. in our 10 hotel properties. The following table sets forth our revenue by business segment.

	Year Ended December 31,					
	2018		2019		2020	
	(audited)		(audited)		audited	
	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)
City operations and property development	33,734.2	87	37,721.4	87	54,366.5	91
Commercial leasing and retail operations	1,449.8	4	1,446.8	3	1,461.4	2
Hotel operations	2,047.9	5	1,967.1	5	1,257.8	2
Others	1,500.8	4	2,220.6	5	2,968.2	2
Total	38,732.7	100	43,355.9	100	60,053.9	100

Major City and Property Development Projects

The major city and property development projects that we are involved in as of December 31, 2020 is as follows:

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Beijing					
Beijing International Community Project	Shunyi District, Beijing, China	408,227	Residential	49.00%	2023
Beijing Jinmao Palace Project	Fengtai District, Beijing, China	173,995	Residential	49.00%	2021
Beijing Future Jinmao Palace Project	Changping District, Beijing, China	267,261	Residential/	47.00%	2023
Beijing Serenity Palace Project	Fengtai District, Beijing, China	222,589	Office Residential	20.00%	2021
Beijing Hopson • Jinmao • Poly • Greentown Jinmao Palace Project	Fengtai District, Beijing, China	76,339	Residential	25.00%	2022
Shanghai					
Shanghai Hongqiao • Jinmao Residence Project	Qingpu District, Shanghai, China	119,927	Residential	51% and 49% (Note 4)	2021
Shanghai Nanqiao Jinmao Residence Project	Fengxian District, Shanghai, China	72,275	Residential	38.00%	2022
Shanghai Style + Project	Jiading District, Shanghai, China	61,533	Residential	30.00%	2021
Shanghai Xijiao Jinmao Palace Project	Jiading District, Shanghai, China	191,770	Residential	29.73%	2020
Shanghai Xincheng Hongkou Jinmao Palace Project	Hongkou District, Shanghai, China	62,808	Residential/ Commercial	49.00%	2020
Guangzhou					
Guangzhou Poly Longyue Mansion Project	Baiyun District, Guangzhou, Guangdong Province, China	442,215	Residential	25.00%	2023

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Guangzhou CR Land – Road King – Jinmao – Tong Residence Project	Huadu District, Guangzhou, Guangdong Province, China	211,870	Residential	30.00%	2023
Guangzhou Lingshan Island Jinmao Harbour Project (Phase II)	Nansha District, Guangzhou, Guangdong Province, China	91,092	Residential	100.00%	2023
Guangzhou Yuexiu & Jinmao – Lingshan Island Jinmao Harbour Project	Nansha District, Guangzhou, Guangdong Province, China	103,685	Residential	49.00%	2022
Guangzhou Cinda & Jinmao – Tianhe Jinmao Plaza Project	Tianhe District, Guangzhou, Guangdong Province, China	296,956	Residential	40.00%	2021
Guangzhou China Merchants • Jinmao • Poly HEFU Project (廣州招商 • 金茂 • 保利和府項目	Conghua District, Guangzhou, Guangdong Province, China	399,587	Residential/ Commercial Residential	25.00%	2025
Changsha					
Changsha Jinmao C&D • Boyue Project (長沙金茂建發 • 泊悦項目)	Yuelu District, Changsha, Hunan Province, China	158,127	Residential	51.00%	2021
Changsha Jinmao C&D • Guanyue Project (長沙金茂建發 • 觀悦項目)	Furong District, Changsha, Hunan Province, China	245,620	Residential	51.00%	2021
Changsha Xincheng Jinmao Dream • Hua Palace Project	Xiangjiang New District, Changsha, Hunan Province, China	275,283	Residential	30.00%	2022
Changsha Xincheng Jinmao Dream • Xi Residence Project	Xiangjiang New District, Changsha, Hunan Province, China	189,215	Residential	30.00%	2022
Nanjing					
Nanjing Dongcheng Jinmao Residence Phase II Project	Jiangning District, Nanjing, Jiangsu Province, China	91,323	Residential	30.00%	2021
Nanjing Gucheng Lake • Jinmao Noble Manor Project	Gaochun District, Nanjing, Jiangsu Province, China	299,705	Residential/ Commercial	49.00%	2022
Land Parcel No. G97, Southern Hexi Yuzui, Nanjing	Jianye District, Nanjing, Jiangsu Province, China	959,572	Complex	27.50%	2025
Nanjing Jiangning Jinmao Residence Project	Jiangning District, Nanjing, Jiangsu Province, China	237,912	Residential	55.00%	2022
Nanjing Greenland Jinmao • International Finance Centre Project	Jiangbei New District, Nanjing, Jiangsu Province, China	975,344	Complex	40.00%	2023
Nanjing Pinglan Palace Project	Gaochun District, Nanjing, Jiangsu Province, China	175,327	Residential	29.00%	2022
Land Parcel No. 2019G05, Tangshan Spa & Wellness Town Phase I, Jiangning District, Nanjing	Jiangning District, Nanjing, Jiangsu Province, China	330,706	Complex	47.00%	2023

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Land Parcel No. 2019G36, Innovation Science Park, Qixia District, Nanjing	Qixia District, Nanjing, Jiangsu Province, China	254,203	Residential	24.00%	2022
Land Parcel No. 2019G32 at the north of Yingtiandong Street, South New City, Qinhuai District, Nanjing	Qinhuai District, Nanjing, Jiangsu Province, China	221,605	Residential	28.00%	2022
Nanjing Xuanwu Lake Jinmao Plaza Project (Phase II)	Gulou District, Nanjing, Jiangsu Province, China	249,826	Complex	47.83%	2026
Chongqing					
Chongqing Bishan Jinmao Residence Project	Bishan District, Chongqing, China	352,225	Residential	100.00%	2023
Chongqing Jinmao International Ecological New City Project	Yubei District, Chongqing,	792,555	Residential/ Commercial	72.77%	2022
Chongqing Longxing International Ecological New City Project (Northern Land Parcel)	China Liangjiang New Area, Chongqing, China	232,610	Residential	50.00%	2023
Chongqing Longxing International Ecological New City Project (Southern Land Parcel)	Yubei District, Chongqing, China	320,702	Residential/ Hotel	100.00%	2023
Chongqing Central Jade Cloud Project	Yubei District, Chongqing, China	372,558	Residential	20.00%	2022
Ningbo					
Ningbo Haishu Jinmao Palace Project	Haishu District, Ningbo, Zhejiang Province, China	207,551	Residential/ Commercial	33.00%	2021
Ningbo Haiwan Jinmao Residence Project	Beilun District, Ningbo, Zhejiang Province, China	225,615	Residential	49.00%	2021
Ningbo Ningnan Jinmao Residence Project	Fenghua District, Ningbo, Zhejiang Province, China	101,331	Residential	49.00%	2021
Qingdao					
Qingdao Jimo • Jinmao Smart International City Project (First batch of land parcels)	Jimo District, Qingdao, Shandong Province, China	320,874	Residential/ Commercial	60.00%	2021
Land Parcel No. A14 + Foreign Investment Block, China-Europe International City Project, Qingdao	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	726,932	Complex	100.00%	2024
Qingdao West Coast • Innovation and Technology City Project (First batch of land parcels)	Huangdao District, Qingdao, Shandong Province, China	208,052	Residential/ Commercial	100.00%	2021
Qingdao Eden Project	High-Tech Industrial Development Zone, Qingdao, Shandong Province, China	93,076	Complex	41.67%	2024

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Qingdao Jimo • Jinmao Smart International City Project (Land Parcel No. 606A)	Jimo District, Qingdao, Shandong Province, China	4,283	Commercial	60.00%	2023
Hangzhou					
Hangzhou Dexin Jinmao Jiayuan Palace Project	Xiaoshan District, Hangzhou, Zhejiang Province, China	22,381	Residential	21.40%	2021
Hangzhou Fuchun Jinmao Xingwaitan	Fuyang District, Hangzhou, Zhejiang	944,532	Complex	60.00%	2025
Project Fuchun Land Parcel No. 28, Fuyang	Province, China Fuyang District, Hangzhou, Zhejiang	249,268	Residential	50.00%	2021
District, Hangzhou Hangzhou Yunhe ONE Project	Province, China Gongshu District, Hangzhou, Zhejiang	181,085	Residential	34.00%	2021
Hangzhou Jinmao Shoukai Guoyue Project	Province, China Gongshu District, Hangzhou, Zhejiang Province, China	114,627	Residential	50.00%	2021
Hefei					
Hefei Beiyanhu Yueyuan Project	High-Tech Industrial Development Zone, Hefei, Anhui Province, China	103,731	Residential	29.40%	2021
Hefei Dongcheng • Jinmao Residence Project	Feidong County, Hefei, Anhui Province, China	91,494	Residential	100.00%	2022
Xuzhou					
Xuzhou Chuhe Jinmao Palace Project	Tongshan District, Xuzhou, Jiangsu Province, China	61,586	Residential	100.00%	2021
Xuzhou Red Star • Yunlong Jinmao Residence Project	Yunlong District, Xuzhou, Jiangsu Province, China	367,648	Residential/ Commercial	40.00%	2022
Land Parcel AB, Third Ring Road West, Gulou District, Xuzhou	Gulou District, Xuzhou, Jiangsu Province, China	488,841	Residential/ Commercial	25.00%	2021
Xuzhou Yunlong Lake Jinmao Palace Project	Quanshan District, Xuzhou, Jiangsu Province, China	178,424	Residential	49.00%	2022
Kunming					
Kunming Jinmao International New City Project	Chenggong District, Kunming, Yunnan Province, China	757,293	Residential	66.00%	2023
Kunming Wujiaba • Jinmao Plaza Project	Guandu District, Kunming, Yunnan Province, China	109,539	Residential/ Commercial	30.00%	2021
Dongguan					
Dongguan Zhuoyue Jinmao Qianshuiwan Project	Zhongtang Town, Dongguan, Guangdong Province, China	141,620	Residential	40.00%	2021
Quanzhou					
Quanzhou Tan Residence Project	Taiwanese Investment Zone, Quanzhou, Fujian Province, China	479,125	Residential/ Commercial/ Office	50.00%	2022

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Changzhou					
Changzhou Chunqiu Jinmao Palace Project	Wujin District, Changzhou, Jiangsu Province, China	231,036	Residential/ Commercial	49.00%	2022
Changzhou Longcheng Jinmao Palace Project	Zhonglou District, Changzhou, Jiangsu Province, China	269,626	Residential/ Commercial	55.00%	2021
Nantong					
Nantong Chongchuan • Jinmao Palace Project	Chongchuan District, Nantong, Jiangsu Province, China	72,180	Residential	50.00%	2020
Zhuzhou					
Zhuzhou • Jinmao Residence Project	Shifeng District, Zhuzhou, Hunan Province, China	614,057	Residential	100.00%	2025
Kaifeng					
Land Parcel No. 39, Bianxi New Area, Kaifeng	Bianxi New Area, Kaifeng, Henan Province, China	185,505	Residential	49.00%	2022
Guiyang					
Guiyang Ninth Heaven	Baiyun District, Guiyang, Guizhou Province, China	244,773	Residential	49.90%	2023
Suzhou					
Suzhou Gusu • Jinmao Residence Project	Wuzhong District, Suzhou, Jiangsu Province, China	83,066	Residential	100.00%	2021
Suzhou Zhangjiagang Smart Science City Project	Zhangjiagang, Suzhou, Jiangsu Province, China	867,985	Complex	49% and 100% and 50% (Note 5)	2023
Wuxi					
Jiangyin Chengjiang • Jinmao Palace Project	Jiangyin, Wuxi, Jiangsu Province, China	139,419	Residential	76.00%	2022
Jiangyin Xiake Island Ecological City Project	Jiangyin, Wuxi, Jiangsu Province, China	387,816	Residential/ Commercial	49.00%	2022
Wuxi Lihu Jinmao Palace Project	Binhu District, Wuxi, Jiangsu Province, China	343,475	Residential/ Commercial	49.00%	2023
Land Parcel No. XDG-2014-31, Xibei District, Wuxi	Xishan District, Wuxi, Jiangsu Province, China	246,599	Residential	49.00%	2021
Land Parcel in Meicun, Xinwu District, Wuxi	Xinwu District, Wuxi, Jiangsu Province, China	137,894	Residential	20.00%	2021
Foshan					
Foshan Chao`an Jinmao Residence Project	Chancheng District, Foshan, Guangdong Province, China	269,586	Residential	100.00%	2024
Tianjin					
Tianjin 188 Long Zhou Road Project	Beichen District, Tianjin, China	183,763	Residential	16.50%	2021
Tianjin Yujiangtai Project	Hexi District, Tianjin, China	91,033	Residential	34.00%	2021

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Jinan					
Jinan High-Tech Industrial Development Zone Jinmao Noble Manor Project	High-Tech Industrial Development Zone, Jinan, Shandong Province, China	473,873	Residential	33.00%	2022
Jinan Jinmao Lushang Travelling Route • Jinmao Palace Project	Licheng District, Jinnan, Shandong Province, China	637,137	Residential	27.50%	2023
Wenzhou					
Wenzhou Jiushan Jinmao Palace Project	Lucheng District, Wenzhou, Zhejiang Province, China	141,020	Residential	100.00%	2022
Wenzhou Lucheng Jinmao Palace Project	Lucheng District, Wenzhou, Zhejiang Province, China	443,902	Residential	33.00%	2022
Wenzhou Rui'an • Jinmao Residence Project	Rui'an, Wenzhou, Zhejiang Province, China	298,758	Office Residential	51.00%	2022
Wenzhou Longwan Yaoxibei Project	Longwan District, Wenzhou, Zhejiang Province, China	514,287	Residential/ Commercial	16.50%	2022
Wuhan					
Wuhan Huafa Yangluo Jinmao Noble Manor Project	Xinzhou District, Wuhan, Hubei Province, China	474,908	Residential/ Hotel	50.00%	2024
Wuhan Jianfa • Jinmao – Royal Residence Project	Jiangxia District, Wuhan, Hubei Province, China	252,766	Residential	49.00%	2022
Wuhan Jinmao • Huafa • Wuhan International Community Project	Jiangxia District, Wuhan, Hubei Province, China	399,700	Residential	50.00%	2023
Land Parcel No. P(2018)001, Yangluo Street Wanshan Village, Xinzhou District, Wuhan	Xinzhou District, Wuhan, Hubei Province, China	408,656	Residential/ Commercial	100.00%	2024
Wuhan Yangluo • Jinmao Residence Project	Xinzhou District, Wuhan, Hubei Province, China	184,370	Residential	100.00%	2022
Nanchang					
Nanchang Jiulonghu • Jinmao Residence Project	Honggutan New District, Nanchang, Jiangxi Province, China	160,253	Residential/ Commercial	100.00%	2021
Nanchang Qingyunpu Land Parcel	Qingyunpu District, Nanchang, Jiangxi Province, China	170,254	Residential/ Commercial	18.00%	2021
Land Parcel No. DAK2018014, Wangcheng Town, Xinjian District, Nanchang	Xinjian District, Nanchang, Jiangxi Province, China	134,126	Residential	35.00%	2021
Zhangjiakou					
Land Parcel No. A-2, Ruanyin Science Park Residence, Xiahuayuan District, Zhangjiakou	Xiahuayuan District, Zhangjiakou, Hebei Province, China	122,009	Residential	31.00%	2023
Baoding					
Baoding Jingxiu Jinmao Residence Project	Jingxiu District, Baoding, Hebei Province, China	213,908	Residential	80.00%	2023
Jinhua					
Yiwu Futian Jinmao Palace Project	Yiwu City, Jinhua, Zhejiang Province, China	382,970	Residential	70.00%	2022

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Sanya					
Sanya Jinmao Harbour Project	Yazhou District, Sanya, Hainan Province, China	531,854	Residential/ Commercial/ Office	70.00%	2023
Shantou					
Land Parcel No. WG2019-4, Jinfeng Peninsula, Jinping District, Shantou	Jinping District, Shantou, Guangdong Province, China	572,558	Residential	50.00%	2023
Weihai					
Weihai Fengji • Jinmao Residence Project	Economic and Technological Development Zone, Weihai, Shandong Province, China	225,547	Residential/ Commercial	100.00%	2022
Weifang					
Weifang Taoyuan • Jinmao Residence Project	High-Tech Industrial Development Zone, Weifang, Shandong Province, China	592,217	Residential/ Commercial	100.00%	2026
Yueyang					
Yueyang Dongting • Jinmao Residence Project	Dongfeng Lake New District, Yueyang, Hunan Province, China	783,885	Residential	75.00%	2027
Zhuhai					
Zhuhai Huxin • Jinmao Residence Project	Doumen District, Zhuhai, Guangdong Province, China	457,331	Residential	70.00%	2024
Jiaxing					
Jiaxing Shanghai Window Smart Science City Project	Jiashan County, Jiaxing, Zhejiang Province, China	1,810,377	Primary	80.00%	2024
Xi'an					
Xi'an Weiyang Jinmao Palace Project	Weiyang District, Xi'an, Shaanxi Province, China	156,980	Residential	100.00%	2022

Projects Acquired Since 2020

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Beijing					
Beijing Dongsan Jinmao Palace Project	Fengtai District, Beijing, China	146,941	Residential	20.00%	2023
Beijing Xiyue Tianhuan Project	Fengtai District, Beijing, China	119,602	Residential	10.20%	2022
Beijing Yihe Jinmao Palace Project	Haidian District, Beijing, China	108,014	Residential	40.00%	2022

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Shanghai					
Shanghai Future City Project	Qingpu District, Shanghai, China	59,780	Residential	49.00%	2022
Shanghai Yinghongqiao Project	Qingpu District, Shanghai, China	180,218	Residential	40.00%	2022
Shanghai Changxing Island Phoenix Town Project	Chongming District, Shanghai, China	98,994	Residential	100.00%	2023
Shanghai Baoshan Education Project	Baoshan District, Shanghai, China	89,998	School	100.00%	2021
Shanghai Haiyue Jinmao Residence	Qingpu District, Shanghai, China	57,686	Residential	34.00%	2021
Guangzhou					
Guangzhou Cold Storage Plant Project	Liwan District, Guangzhou, Guangdong Province, China	114,947	Residential	25.00%	2023
Shenzhen					
Shenzhen Guangming Jinmao Plaza Project	Guangming New District, Shenzhen, Guangdong Province, China	53,950	Residential	100.00%	2023
Nanjing					
Nanjing Jiangbei New District G03 Project	Jiangbei New District, Nanjing, Jiangsu Province, China	83,221	Residential	61.40%	2023
Nanjing G81 Project	Jiangning District, Nanjing, Jiangsu Province, China	87,853	Residential/ Commercial	40.00%	2022
Ningbo					
Ningbo Lvcheng Jinmao • Chunlan Jingyuan Project	Yuyao, Ningbo, Zhejiang Province, China	177,028	Residential/ Commercial	20.00%	2022
Qingdao					
Qingdao Dayun Valley • Laoshan Jinmao Palace Project	Laoshan District, Qingdao, Shandong Province, China	388,791	Residential/ Commercial	60.00%	2023
Qingdao Dayun Valley Shibei Block	Shibei District, Qingdao, Shandong Province, China	564,756	Office Residential/ Commercial	60.00%	2024
Domestic Investment Block (Fourth batch of land parcels) in China-Europe International City Project, Qingdao	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	592,117	Residential/ Commercial	100.00%	2023
Qingdao West Coast • Innovation and Technology City Project Land Parcel No.7-5-2	Huangdao District, Qingdao, Shandong Province, China	40,729	Commercial	100.00%	2022
Qingdao West Coast • Innovation and Technology City Project Land Parcel No.7-9	Huangdao District, Qingdao, Shandong Province, China	148,883	Residential	100.00%	2022
Qingdao West Coast • Innovation and Technology City Project Land Parcel No.7-20	Huangdao District, Qingdao, Shandong Province, China	124,958	Residential	100.00%	2023

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Kunming					
Kunming Luoshi Bay Project	Xishan District, Kunming, Yunnan Province, China	346,711	Residential	80.00%	2023
Nantong					
Nantong Longxin Jinmao │ Ruiyuan Project	Rugao, Nantong, Jiangsu Province, China	143,617	Residential	20.00%	2023
Taizhou					
Taizhou Jinmao • Zhongnan • Haizhou Shangcheng Project	Luqiao District, Taizhou, Zhejiang Province, China	188,255	Residential	51.00%	2022
Taizhou Linhai Linjiang Shangcheng Project	Linhai, Taizhou, Zhejiang Province, China	105,478	Residential	100.00%	2023
Guiyang					
Guiyang Guanshanhu International Community Project	Guangshanhu District, Guiyang, Guizhou Province, China	465,019	Residential	57.50%	2024
Suzhou					
Changshu Jinmao Smart Science City Project	Changshu, Suzhou, Jiangsu Province, China	922,079	Complex	54.10% and 100.00% (Note 6)	2024
Suzhou Science and Technology City Finance Town Project	High-Tech Industrial Development Zone, Suzhou, Jiangsu Province, China	361,305	Complex	24.50%	2022
Foshan					
Foshan Luocun Project	Nanhai District, Foshan, Guangdong Province, China	566,236	Residential	100.00%	2025
Foshan Nanhai Xiqiao Chongnan Project	Nanhai District, Foshan, Guangdong Province, China	76,732	Residential	100.00%	2023
Foshan Zhuoyue • Country Garden • Tianyue Bay Project	Shunde District, Foshan, Guangdong Province, China	198,840	Residential	33.00%	2024
Tianjin					
Tianjin Shangdong Jinmao Residence Project	Dongli District, Tianjin, China	126,752	Residential	100.00%	2023
Tianjin Shangdong Jinmao Smart Science City Project	Dongli District, Tianjin, China	84,263	Residential	100.00%	2022
Jinan					
Jinan Aoti Jinmao Palace Project	Lixia District, Jinan, Shandong Province, China	228,218	Residential	100.00%	2021
Fuzhou					
Fuzhou Binhai Jinmao Smart Science City Project (Second batch of land parcels)	Changle District, Fuzhou, Fujian Province, China	923,025	Complex	90.00%	2029
Fuzhou Binhai Jinmao Smart Science City Project (First batch of land parcels)	Changle District, Fuzhou Province, China, Fujian	943,203	Complex	74.50%	2027

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Wenzhou					
Wenzhou Lechen Palace Project	Leqing, Wenzhou, Zhejiang Province, China	63,519	Residential	100.00%	2023
Wenzhou Pingyang Gu'ao Tou Project Land Parcel No. 1, No. 3, No. 5, No. 6 and No. 7 (Note 7)	Pingyang County, Wenzhou, Zhejiang Province, China	834,475	Residential/ Office	100.00%	2025
Wenzhou Aojiang International New City Project	Pingyang County, Wenzhou, Zhejiang Province, China	1,042,368	Primary	80.00%	2023
Wuhan					
Wuhan Fangdao Smart Science City Project Land Parcel No. 11	Hanyang District, Wuhan, Hubei Province, China	955,165	Complex	100.00%	2026
Wuhan Fangdao Smart Science City Project Land Parcel No. 12	Hanyang District, Wuhan, Hubei Province, China	746,367	Complex	100.00%	2026
Wuhan Yangsigang Project	Hanyang District, Wuhan, Hubei Province, China	1,036,284	Residential	20.00%	2023
Zhengzhou					
Zhengzhou Jinmao Poly • Ruyi Palace Project	Zhengdong New District, Zhengzhou, Henan Province, China	123,901	Residential Primary	49.00%	2023
Zhengzhou Erqi District Mazhai New City Project	Erqi District, Zhengzhou, Henan Province, China	4,367,868	Residential	29.70%	2025
Zhengzhou Jingkai Shiguang Residence Project	Jingkai District, Zhengzhou, Henan Province, China	104,916	Commercial	49.00%	2022
Chengdu					
Chengdu City Investment Jinmao Mansion Project	Longquanyi District, Chengdu, Sichuan Province, China	81,187	Residential	51.00%	2022
Nanchang					
Nanchang Chennanli Project	Nanchang County, Nanchang, Jiangxi Province, China	201,288	Residential	100.00%	2022
Nanchang Gemdale Jinmao • Jiufeng Palace Project	Honggutan New District, Nanchang, Jiangxi Province, China	177,435	Residential	40.00%	2022
Nanchang Evian Uptown Project	Qingshan Lake District, Nanchang, Jiangxi Province, China	221,306	Residential	33.00%	2023
Nanchang Zhengrong Jinmao Gemdale Yunjing Project	Nanchang County, Nanchang, Jiangxi Province, China	175,717	Residential	33.00%	2022
Zhangjiakou					
Zhangjiakou Xiahuayuan Land Parcel K	Xiahuayuan District, Zhangjiakou, Hebei Province, China	158,996	Commercial	31.00%	2024
Land Parcel No. A-1-1, Ruanyin Science Park, Xiahuayuan District, Zhangjiakou	Xiahuayuan District, Zhangjiakou, Hebei Province, China	238,019	Residential	31.00%	2024

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Zhangjiakou					
Jinhua Jinmao Future Science City Project	Jindong District, Jinhua, Zhejiang Province, China	1,799,963	Complex	80.00%	2027
Xiamen					
Xiamen Land Parcel 2020XP18	Xiang'an District, Xiamen, Fujian Province, China	152,517	Residential	100.00%	2023
Jiaxing					
Land Parcel B2020-75 of Jiaxing Jiashan Shan Land Reserve	Jiashan County, Jiaxing, Zhejiang Province, China	215,749	Residential	100.00%	2023
Jiaxing Country Garden • Star Project	Jiashan County, Jiaxing, Zhejiang Province, China	88,093	Residential	40.00%	2022
Jiaxing • Guanghecheng Project	Jiashan County, Jiaxing, Zhejiang Province, China	88,610	Residential/ Commercial	30.00%	2022
Taiyuan					
Taiyuan Longcheng • Jinmao Palace	Xiaodian District, Taiyuan, Shanxi	415,174	Residential	35.00%	2023
Yantai					
Yantai Lu Shang Jinmao • Impression of Sea View Project	Laishan District, Yantai, Shandong Province, China	598,972	Residential/ Commercial	40.00%	2025
Yantai Happy Jinmao Residence Project	Zhifu District, Yantai, Shandong Province, China	119,105	Residential/ Commercial	58.00%	2023
Shijiazhuang					
Shijiazhuang Chang'an • Jinmao Residence Project	Chang'an District, Shijiazhuang, Hebei Province, China	156,474	Residential	50.00%	2023
Taizhou					
Taizhou Fengcheng Jinmao Mansion Project	Medical High-tech Zone, Taizhou, Jiangsu Province, China	579,767	Residential/ Commercial	45.00%	2023

Major Commercial Leasing and Retail Operation Projects

The major commercial leasing and retail operation projects that we are involved in as of December 31, 2020 is as follows:

Name of Project	Location	Gross Floor areas (square metres)	Type of Project	Equity attributable to the Group	Date of completion	Area held for commercial Leasing and retail Properties (square metres)
Beijing Chemsunny World Trade Centre	Xicheng District, Beijing, China	194,530	Office	100.00%	2006	110,760
Sinochem Tower	Xicheng District, Beijing, China	49,066	Office	100.00%	1995	49,066
Jin Mao Tower (including hotel)	Pudong New Area, Shanghai, China	292,475	Office	100.00%	1999	216,462
Nanjing Xuanwu Lake Jinmao Plaza Project Phase I (including hotel) (Note 1)	Gulou District, Nanjing, Jiangsu Province, China	225,846	Complex	47.83%	2011	139,806
Changsha Meixi Lake International R&D Centre	Xiangjiang New District, Changsha, Hunan Province, China	132,856	Office	80.00%	2017	14,963
Shanghai International Shipping Service Center Co., Ltd. (6#)	Hongkou District, Shanghai, China	5,558	Office	100.00%	2018	5,558
Lijiang J • Life	Old Town, Lijiang, Yunnan Province, China	21,893	Commercial	100.00%	2014	21,893
Commercial portion of Qingdao Jinmao Harbour	Shinan District, Qingdao Shandong Province, China,	61,142	Commercial	51.00%	2017	61,142
Jiayuan Plaza Hypermarket	High-Tech Industrial Development Zone, Ningbo, Zhejiang Province, China	25,480	Commercial	100.00%	2013	25,480
Changsha Jinmao Mall of Splendor	Yuelu District, Changsha, Hunan Province, China	141,723	Commercial	51.00%	2017	141,723
Shanghai International Shipping Service Center Co., Ltd. (16#)	Hongkou District, Shanghai, China	5,222	Commercial	100.00%	2013	5,222
Wangjing Lvchuang Center (望京綠創中心)	Chaoyang District, Beijing, China	10,931	Office	100.00%	2020	10,931
Total						803,066

Hotel Operation Projects

The major hotel operations projects that we are involved in as of December 31, 2020 is as follows:

Name of project	Location	Gross floor area (square metres)	Equity attributable to the Group	Date of completion	Number of guest rooms
Renaissance Beijing Wangfujing Hotel	Dongcheng District, Beijing, China	44,413	100.00%	1995	329
Grand Hyatt Shanghai (Note 2)	Pudong New Area, Shanghai, China	76,013	100.00%	1999	555
Hilton Sanya Yalong Bay Resort & Spa	Yalong Bay Resort, Sanya, Hainan Province, China	75,208	100.00%	2006	501
The Ritz-Carlton Sanya Yalong Bay	Yalong Bay Resort, Sanya, Hainan Province, China	83,772	100.00%	2008	450
The Westin Beijing Chaoyang	Chaoyang District, Beijing, China	77,945	100.00%	2008	550
JW Marriott Hotel Shenzhen	Futian District, Shenzhen, Guangdong Province, China	51,730	100.00%	2009	411
Westin Nanjing (Note 1)	Gulou District, Nanjing, Jiangsu Province, China	32,514	47.83%	2011	232
Hyatt Regency Chongming	Chongming District, Shanghai, China	48,992	100.00%	2014	235
Grand Hyatt Lijiang (Note 3)	Old Town, Lijiang,Yunnan Province, China	84,384	100.00%	2014	401
Meixi Lake Hotel, A Luxury Collection Hotel, Changsha	Yuelu District, Changsha, Hunan Province, China	62,220	100.00%	2017	304
Total		637,191			3,968

(Note 1) Nanjing Jinmao Place and Westin Nanjing are located in Nanjing Xuanwu Lake Jinmao Plaza.

(Note 2) Grand Hyatt Shanghai is located in Jin Mao Tower.

(Note 3) Grand Hyatt Lijiang is held as to 100% interest by the Group. Grand Hyatt Lijiang in the urban area is situated in Lijiang Jinmao Richmond Town Project; whereas the Mountain Lodge in the scenic area is situated in Ganhaizi, Jade Dragon Snow Mountain.

(Note 4) Shanghai Hongqiao • Jinmao Residence Project is developed on the land parcels 26-01 and 44-02 in Huaxin Town, Qingpu District, Shanghai. Currently, the Group holds 51% interest in land parcel 26-01 and 49% interest in land parcel 44-02.

(Note 5) Suzhou Zhangjiagang Smart Science City Project is developed on Suzhou Zhangjiagang land parcels Nos. 2012-A19-A/B, 2014-A02-A/B/C, 2012-A09 and 2014-A04. Currently, the Group holds 50% interest in land parcels Nos. 2012-A19-A/B, 100% interest in land parcels Nos. 2014-A02-A/B/C and 2014-A04 and 49% interest in land parcel No. 2012-A09.

(Note 6) Changshu Jinmao Smart Science City Project is developed on the land parcels Nos. 2020A-012/013/015/016 in Yumao Changshu, and the land parcel No. 2020A-014 in Pumao Changshu, respectively. Currently, the Group holds 54.1% interest in the land parcels Nos. 2020A-012/013/015/016 in Yumao Changshu, and 100% interest in the land parcel No. 2020A-014 in Pumao Changshu.

(Note 7) Wenzhou Pingyang Gu'ao Tou Project Land Parcels Nos. 1, 3, 5, 6 and 7 are located in Wenzhou Aojiang International New City Project.

History

We are the primary real estate platform of our ultimate parent company, Sinochem Group, a multi-industry SOE conglomerate with businesses in energy, agriculture, chemicals, real estate and financial services. Sinochem Group's involvement in real estate development dates back to the 1980s, when Sinochem Group commenced work on its first joint development projects in Shanghai, the Haiyi Villa and Haiyi Garden projects. The following sets forth certain important milestones in our corporate history, from the founding of our controlling shareholder Sinochem Corporation to our listing on the SEHK:

Year	Event
1950	• Sinochem Corporation was founded
1980s	• Sinochem participated in the development of China World Trade Center in Beijing
1989	• Sinochem Hong Kong was established
1990s	• Several landmark projects including China World Trade Center, Jin Mao Tower, Sinochem Tower and Taoyuan Office Building were completed
2003	• Sinochem Group (through one of its subsidiaries) commenced construction of the Shanghai Zhangyang Riverside Garden
	• Sinochem Corporation acquired the Wangfujing Grand Hotel
2004	• The Company was incorporated in Hong Kong
	• Construction commenced on Site B of the Shanghai Port International Cruise Terminal
2005	• Sinochem Group transferred its interest in the Company to Sinochem Hong Kong
	• Sinochem Corporation was approved by SASAC to engage in real estate businesses
	• Construction on Shanghai Fortune Plaza was completed
2006	• The Company acquired land use rights for the Zhuhai Every Garden project
	• Construction of the Shanghai Zhangyang Riverside Garden was completed
	• Construction of Beijing Chemsunny World Trade Center was completed
2007	• The Company (through its subsidiary Shanghai Huigang Real Estate Development Co. Ltd) acquired land use rights for the Huigang Development project
	• The Company entered into an acquisition agreement with Sinochem Corporation and Sinochem Hong Kong whereby the Company acquired 100% interests in Beijing Chemsunny Property Limited, Sinochem International Property Hotels & Management Co., Ltd., and Wangfujing Hotel Management Company Limited
	• The Company was listed on the SEHK
2009	• The Company acquired a 100% interest in Jin Mao Group from Sinochem
	• The Company acquired the central site of the Shanghai International Shipping Service Center Project
	• The Company acquired the western site of the Shanghai International Shipping Service Center Project from Sinochem

Year	Event
2010	• The Company issued US$600 million of Perpetual Subordinated Convertible Securities
2011	• The Company issued US$500 million of senior notes
2012	• The Company issued US$500 million of senior notes
	• The Company acquired projects such as the Changsha Meixi Lake International Jinmao Plaza, the Changsha Meixi Lake International R&D Center Project and the Suzhou Jinmen Road Project
2013	• The Company acquired two land parcels in Beijing (X85 & X88), the land parcel G11 of the Changsha Meixi Lake International Jinmao Plaza Project and the Nanjing Xuanwu Lake Jinmao Plaza Project
	• The Company issued US$200 million of senior notes
	• The Company issued US$300 million of senior notes
2014	• The Company acquired land parcels for the Hangzhou Huanglong Jinmao Residence Project, Shanghai Daning Jinmao Palace Project, Beijing Yizhuang Jinmao Nobel Manor Project, Guangzhou Zhujiang Jinmao Palace Project and Chongqing Jinmao International Ecological New City Project, and won the bid for the land parcel of Changsha Meixi Lake Land Parcel F-13 Project
	• Jinmao Investments and Jinmao (China) Investments Holdings Limited listed on the Main Board of the SEHK
	• The Company opened Hyatt Regency Chongming, Renaissance Beijing Wangfujing, Grand Hyatt Lijiang and Lijiang J-Life
	• The Company issued US$500 million of guaranteed notes
2015	• The name of the Company was officially changed to "China Jinmao Holdings Group Limited" and the stock short name was changed to "China Jinmao"
	• The Company and China Rail Construction jointly acquired the land parcel for Beijing Fengtai Shiliuzhuang Project; the Company and Country Garden jointly acquired two land parcels in Beijing Fengtai Science Park
	• The Company and China Rail Construction jointly acquired the land parcel for Beijing Fengtai Shiliuzhuang Project; the Company and Country Garden jointly acquired two land parcels in Beijing Fengtai Science Park
	• The Company completed a HK$4,400 million share placement in June 2015, introducing four strategic investors, namely, New China Life Insurance, GIC, Warburg Pincus and Mr. KWOK Ping Sheung, Walter
	• The Company opened Nanjing Jinmao Place
2016	• The Company and Power China Real Estate Group Ltd. jointly acquired two land parcels no. 20-7 and no. 20-8 in Pingliang Avenue, Southern Hexi, Nanjing
	• The Company established Beijing Jinmao Green Building Technology Co., Ltd.
	• The Company established JM Capital, a real estate investment platform with Australia's Macquarie Capital in December 2016

Year	Event
2017	• The Company entered into the Framework Agreement on Feature Town Development in Wenzhou Oujiangkou Industrial Cluster with Wenzhou Oujiangkou New District Management Committee
	• The Company and Wuhan New Port Group entered into a strategic cooperation agreement
	• The Company issued US$500 million guaranteed senior notes in February, the first batch of the first tranche of RMB2,500 million domestic unsecured medium-term notes in April, US$500 million subordinated guaranteed perpetual capital securities, US$300 million senior guaranteed perpetual capital securities in July, US$200 million senior guaranteed perpetual capital securities in September and US$300 million subordinated guaranteed perpetual capital securities in November
2018	• The Company entered into the Framework Agreement on Integrated Project Cooperation Development of Zhangjiagang New and High-Tech Zone Industrial City with the government of Zhangjiagang New and High-Tech Zone
	• The Company completed a HK$3.3 billion equity placement in January
	• The Company issued RMB1,250 million guaranteed senior notes in March
	• The Company issued RMB3,000 million unsecured medium-term notes in April
	• The Company issued RMB2,000 million unsecured perpetual medium-term notes in December
	• The Company issued US$300 million senior guaranteed perpetual capital securities in December
2019	• The Company entered into the Cooperation Agreement on China Jinmao Smart Science City with the Government of Dongli District, Tianjin City in January
	• The Company entered into the strategic cooperation agreement with the People's Government of Langfang, Hebei and China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮公司) in May
	• The Company issued US$250 million in aggregate principal amount of 2024 Notes in June, comprising (i) US$104,956,000 in aggregate principal amount of the 2024 Notes pursuant to an exchange offer to exchanging noteholders of the US$500,000,000 6.75% Guaranteed Senior Notes due 2021 issued by Franshion Development Limited (方興發展有限公司) and guaranteed by the Company, and (ii) US$145,044,000 in aggregate principal amount of the 2024 Notes pursuant to a concurrent new money issuance
	• The Company issued US$500 million 4.25% guaranteed senior notes due 2029 in July
	• The Company entered into a strategic cooperation agreement with the People's Government of Wuhu in October
	• The Company and the People's Government of Qingzhen, Guiyang entered into the Guiyang Crystal Smart New City Project in December
	• The Company and the People's Government of Hanyang, Wuhan entered into the Wuhan Fangdao Smart Science City Industrial Fair and signing ceremony of the industrial cooperation agreement in December
	• The Company issued US$400 million Subordinated Guaranteed Perpetual Capital Securities in December

Year		Event
2020	•	The Company completed equity placements in July and August, in the amount of HK$3,416 million and HK$1,992 million, respectively
	•	The Group issued RMB2,500 million unsecured medium-term notes in March and RMB2,500 million unsecured medium-term notes in July
2021	•	The Company issued US$500 million subordinated guaranteed perpetual capital securities in February

City Operations and Property Development Business

The Company's city operations and property development business have expanded from 20 cities in 2016 to 28 cities in 2017 and 40 cities in 2018 and 49 cities in 2019, and have further expanded to 51 cities in year ended on December 31, 2020. As of December 31, 2020, we were engaged in over 270 city operations and property development projects at different stages of development at sites located in Beijing, Shanghai, Suzhou, Hangzhou, Guangzhou, Changsha, Qingdao, Lijiang, Chongqing, Nanjing, Ningbo, Tianjin, Foshan, Shenzhen, Zhengzhou, Wuhan, Hefei and Wuxi, including 27 city operations projects.

The Company's contracted sales amount for the year ended December 31, 2018, 2019 and 2020 was RMB128.0 billion, RMB160.8 billion and RMB231.1 billion, respectively. During the year ended December 31, 2020, we recorded strong sales results from projects and we expanded our land reserves with successful acquisitions in the following areas (with the total contracted sales (as a percentage of overall total contracted sales) in the year ended December 31, 2020 indicated next to them): Beijing (11%), Shanghai (9.1%), Zhejiang (17%), Shandong (8%), Jiangsu (21.8%), Guangdong (9.9%), Tianjin (3%), Anhui (0.2%), Hubei (2.8%), Chongqing (1.3%), Henan (1.5%), Hunan (2.5%), Guizhou (0.6%), Fujian (2.4%), Jiangxi (4.3%), Yunnan (0.9%), Shanxi (0.8%) and Sichuan (2.7%). The regional distribution of contracted sales recorded for the year ended December 31, 2020 is as follows: 50% in Eastern China, 23% in Bohai Rim, 13% in Southern China, 9% in Central China and 5% in Western China.

With respect to land acquisition, for the year ended December 31, 2020, the Company successfully obtained a number of quality land parcels in various locations, including Yantai, Beijing, Qingdao, Nanchang, Wuhan, Shanghai, Taizhou, Jiaxing, Fuzhou, Guangzhou, Zhangjiakou, Suzhou, Wenzhou, Nanjing.

City Operations

The following description sets out certain information for some of our city operations projects:

Wuhan – Fangdao Jinmao Smart Science City. Wuhan Fangdao Jinmao Smart Science City Project, located in Sixin Ecological New City, Hanyang District, Wuhan, has a net land area of 945 mu (approximately 630,000 sq.m.). The land is for residential, commercial service, public management and public service use. Fully capitalising on the advantages of high-quality industrial resources and high-end amenities, the Group will focus on global industrial resources and shape a modern new city integrated support system based on the core values of regional ecology, culture and location, to build an "island of ecology, city of creativity and metropolitan of fashion" featuring lakefront wetland with cultural, leisure, tourism and residential functions, thus developing the project into China's first-class economic demonstration area for headquarters buildings, healthy and quality living and modern service clusters.

In March 2020, the Group successfully acquired the land parcels nos. P(2020)011 and P(2020)012 in Hanyang. In November 2020, the pre-sales of Lots A4 and A7 of Fangdao Jinmao Smart Science City Project commenced successfully, the sell through rate set a benchmark for Sixin area of Hanyang, and the pre-sales proceeds ranked Top 20 in the annual property sales of Wuhan.

Tianjin – Shangdong Jinmao Smart Science City. Tianjin Shangdong Jinmao Smart Science City Project is located in the core area at the east of the city centre in Tianjin. Relying on its TOD core business area and the green and leisure elements, the Group plans to build five functional zones, namely the TOD business, smart office, urban park, elite education and ecological residence, and intends to build a smart city complex, so as to meet the diversified consumer needs of the residents for everyday shopping, leisure and entertainment, and strive to build a new landmark of the leading one-stop shopping experience in Dongli District, Tianjin.

In April 2020, the Group successfully acquired the land parcel no. Jin Dong Li Yue (Gua) 2020-005 with above ground floor area of approximately 82,500 sq.m., Shangdong Jinmao Smart Science City was successfully launched first time in August 2020 with 90% sell through rate in the launch date.

Changshu – Jinmao Smart Science City. Changshu Jinmao Smart Science City Project, located in the core area of the new city in southern Changshu surrounding Kuncheng Lake, has a total site area of 6,495 mu (approximately 4.33 million sq.m.). The Group will gradually develop the project into an integrated smart science city comprising "smart innovation, modern business and high-end residence" by adhering to the philosophy of industrial city integration and phased implementation.

In May 2020, the Group and the government officially entered into an agreement on the co-development of the project, and successfully won the bid for the land parcels nos. Chang Shu Shi Gua [2020]14 2020A-012, 2020A-013, 2020A-014, 2020A-015 and 2020A-016 in July 2020. In December 2020, the Harvard BI Medical Innovation Center introduced by the project officially began operation.

Qingdao – Cloud Valley City Operations. Qingdao Cloud Valley City Operations (青島大雲谷城市運營) Project, located in the core urban area of Qingdao City, spans three districts namely Laoshan, Shibei and Licang (嶗山、市北、李滄), and is divided into three clusters according to their district affiliation. The project has a planning area of 1,779 mu (approximately 1.18 million sq.m.) consisting of three habitats: the east park area (東園區) positioned as an innovative ecological park concentrated with complete industrial chains; the west park area (西園區) positioned as a global innovation center for IoT; and the Xi Han Economic Development area (西韓經濟發展區) positioned as a demonstration site for integration of industries and cities. The Group intends to build a healthy, smart living and fashionable dynamic smart park according to the four planning concepts of industry-city integration, innovation benchmark, shared and interconnected and low-carbon ecology.

In September 2020, the Group and Haier ICI (海爾產城創) entered into a cooperation agreement. In September 2020, Laoshan Jinmao Palace (嶗山金茂府) in Cloud Vally (大雲谷) was successfully launched for sale.

Qingdao – West Coast Innovation and Technology City. Qingdao West Coast Innovation and Technology City Project, located in the Qingdao West Coast New District (青島西海岸新區) adjacent to the Qingdao High Speed Rail West Station, is the core transportation and business centre of the new district, with a total site area of approximately 6,000 mu (approximately 4 million sq.m.). Leveraging the core resources and industries of Sinochem Group, the Company has successfully introduced innovative high-end industries such as technology innovation, green intelligence, leisure and health as well as business services, integrating innovative industrial clusters with urban development to create a smart ecological technology new city with international influence.

On June 10, 2020, the Group successfully acquired the land parcels nos. HD2020-3096 and HD2020-3097 described in the Announcement Qing Huang Ziran Zi Gao Zi (青黃自然資告字) No. [2020]3096. On December 30, 2020, the Group successfully acquired the land parcel no. HD2020-3267 described in the Announcement Qing Huang Ziran Zi Gao Zi (青黃自然資告字) No. [2020]3264.

Danyang – Eye Glasses Fashion Town. Danyang Eye Glasses Fashion Town Project, located in front of the Danyang High Speed Rail Station between the Old Town and New Town of Danyang, has the dual functions of gateway and heart of the city. The project covers a total site area of 1,700 mu (approximately 1.13 million sq.m.). Featuring the optical glasses industry, the Group rapidly carries out industrial upgrade for Danyang, improves its functional supports, and realizes enhancement of the city's image, the optical glasses industry and the cultural tourism.

In September 2020, the Group entered into a project cooperation agreement with Danyang Municipal Government. In November 2020, the first-level of demolition and relocation was officially commenced and all tasks of work was carried out in an orderly manner as scheduled.

Wenzhou – Aojiang International New City. Wenzhou Aojiang International New City Project, located in block of Gu'ao Tou, Binjiang Centre, Aojiang, Pingyang, has a total site area of approximately 1,972 mu (equivalent to approximately 1.31 million sq.m.). The Group plans to develop the project into a "3+2" industrial system step by step from the aspects such as residence, culture, commercial office, landmark buildings and supporting facilities with "technology and innovation industries, financial service industry, cultural and creative industry" as the core, and "professional service industry, education and training industry" as the support, striving to forge the project to become a vibrant center of Pingyang with its advantages such as urban core location, excellent scenery resources, profound cultural heritage and business support.

In November 2020, the Group successfully won the bid for the first batch of land parcels for the project, including "land parcels nos. B-03-01, B-04-06 and B-04-09 in block No.1 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County", "land parcels nos. C-01-03, C-01-04 and C-03-01 in block No. 3 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County", "land parcels nos. B-08-02, C-05-03 and C-05-01 in block No. 7 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County", "land parcels nos. B-06-03, B-07-02 and C-03-02 in block No. 5 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County" and "land parcels nos. B-05-08 and B-05-09 in block No. 6 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County" within the areas of the project.

Jinhua – Jinmao Future Science City. Jinhua Jinmao Future Science City Project is located in the Dongmei area of Jinyi New District (Jindong District) in Jinhua adjacent to the Wuyi River, with a total site area of about 2,760 mu (about 1.84 million sq.m. in total). The project covers core segments including pilot projects for provincial future communities and digital innovation economic parks, with functions of smart living, featured commercial and business offices as well as industrial research and development at one stop to create a benchmark project of provincial future communities with perfect functions, rich business formats and smart operation to explore the potential values of the city, building Dongmei Area into a benchmark project leading the development of Jinyi Metropolitan Area.

In July 2020, the Group and Jindong District Government of Jinhua entered into a strategic cooperation framework agreement for Dongmei Area. In December 2020, the Group and Jindong New District Development and Construction Center of Jinhua entered into a cooperation and development agreement for the integration of industries and cities in Jinhua Dongmei Area.

Property Development

The following description sets out certain information for some of our property development projects:

Beijing Yihe Jinmao Palace Project. Beijing Yihe Jinmao Palace Project is located on the West Fourth Ring Road in Haidian District of Beijing adjacent to the Summer Palace. It is at the intersection of Beijing's three mountains and five parks, the Xishan villa area and the science and education centers in Haidian, falling in the traditional low- density villa area in Xishan of Haidian. As the new generation benchmark of the China Jinmao Palace series, Beijing Yihe Jinmao Palace features brand new Jinmao Palace

2.0 technology to create 12 major technology systems. It has also upgraded by introducing the ion cascade nanometer-level air filtration and the aerospace-grade particle of damping noise reduction art etc. to create the latest benchmark of technology-based living systems.

During the year ended December 31, 2020 when the project was launched for sale, it broke new records in terms of the value, speed and sales performance at the first launch in Beijing's high-end market, making it a phenomenal red-hot property of the year.

Jiashan • Guanghecheng Project. Jiashan • Guanghecheng Project is located at the intersection of Tingfeng Highway (亭楓公路) and Zhufeng Highway (朱楓公路) in Jiashan County, Zhejiang Province. Just one road next to Shanghai and adjacent to Fengjing Ancient Town in Shanghai, the project is a secondary development of Shanghai Window Smart Science City (上海之窗 • 智慧科學城). It consists of high-rises and commercial streets, enjoying the future facilities of Shanghai Window Smart Science City. To the north of the project, the Huili Public School, a top international private school, is already located.

During the year ended December 31, 2020, the project launched three times and achieved hot sales each time, and the units were sold out quickly upon launch, making Guanghecheng a phenomenal red-hot project in Jiashan.

Hangzhou Qinwang Palace Project. Hangzhou Qinwang Palace Project, falling in the "City Eye" segment of Qinwang, is the residential part of the Fuyang Qinwang City Complex (富陽秦望城市綜合體) built by the Group. The project enjoys all future planned facilities of the complex including a commercial complex, boutique residences, shopping centres and many other types of businesses.

During the year ended December 31, 2020, the project launched twice and a achieved hot sales each time. The car parking spaces of the buildings were sold out upon the first launch, leading a new era of human living in Fuyang.

Taizhou Jinmao • Zhongnan • Haizhou Shangcheng Project. Taizhou Jinmao • Zhongnan • Haizhou Shangcheng Project, located at the core area of Taizhou Luqiao near the Shanghai North Road Station of the Light Rail Line S1, is surrounded by International Convention and Exhibition Centre, Zhongsheng City Plaza, the Cultural and Sports Centre and the Digital City and other urban lifestyle amenities in one place. The project draws on leading contemporary architectural design concepts to create an open, interactive and vibrant community space, with the intention of creating a spacious and luxurious residence that will elevate the future of living in Taizhou to a new level and give residents a brand new living experience.

During the year ended December 31, 2020, the project launched twice and achieved hot sales each time, ranking first among properties in the same segment in terms of sales area and amount in the second half of the year.

Nanchang Gemdale Jinmao • Jiufeng Palace Project. Nanchang Gemdale Jinmao • Jiufeng Palace Project is a new generation of TOD international quality residential area built for the new middle class elite in Nanchang by the Group in 2020 in the core location in Jiulonghu within the provincial capital segment, with international advanced urban living concept as the core orientation. The project is located at the intersection of Shangrao Street (上饒大街) and Qingyuanshan Road, the main roads of the city, being surrounded by the TOD rail transportation hub created by Metro Line 2 and 4 and Nanchang High Speed Rail West Railway Station, thus enjoying a radiation of international commercial facilities such as the business circles in the West Railway Station and the Sunac Land (融創茂) with efficient and convenient prosperous life. The project is also planned to have a City Club to echo with external high-speed railway business circles to create a rare international pedestrian urban ecosphere in the region, meeting the consumption needs of the whole family for shopping, leisure, dining and entertainment.

During the year ended December 31, 2020, the project launched six times and sold out each time, making it the most red-hot property in Nanchang Jiulonghu.

Wuhan Jinmao • Huafa • Wuhan International Community Project. Wuhan Jinmao • Huafa • Wuhan International Community Project, located in the hot segment of military sports, enjoys the dual planning benefits of the military sports village and Huangjiahu metro town, Wuhan's first metro town. The Land plot is rich in property formats, covering different product forms such as high-rises, townhouses and commercial properties as well as supporting facilities for the elderly and medical care, aiming to build a future international community that meets the needs of the whole life cycle.

During the year ended December 31, 2020, the sell through rate achieved over 95% in the first launch when the model area was opened for visit for only two weeks, and six consecutive launches were made within six months, making it a hot-sell project in the area.

Sanya • Jinmao Harbour Project. Sanya • Jinmao Harbour Project is a customized work of the Group in the coastal area after its 15 years of deep cultivation in Sanya. The project is located in the CBD of Yazhou Bay Science and Technology City, the sub-center of Sanya city adjacent to Nanshan Cultural and Tourism Scenic Area, with convenient access to the world by land, sea and air, and is equipped with 200,000 sq.m. of sophisticated commercial properties, triple-A medical and health centers and duty-free shopping facilities.

During the year ended December 31, 2020, the project was sold out immediately upon its first launch, making it the first red-hot project in Sanya in one go.

Jiangyin Chengjiang Jinmao Palace Project. Jiangyin Chengjiang Jinmao Palace Project, located in the heart of Jiangyin City next to the Jiangyin Pedestrian Street, on Renmin Road, the former site of the Yangtze River Hotel and the Jiangyin No.1 Middle School. The project is not only located in an excellent location, but also the first BREEAM certified technology residential product in Jiangyin, creating an era of green and healthy living in Jiangyin.

During the year ended December 31, 2020, the project was launched for sale for the first time in December, and ranked among the top three in the city in terms of sales areas in the second half of December.

Xi'an Weiyang Jinmao Palace Project. Xi'an Weiyang Jinmao Palace Project, located on the eastern shore of Weiyang Lake, the first choice of high-end improvement area in Xi'an, is surrounded by the great ecological environment of "one lake, one river and two gardens" in the core of three districts. It is the first block of large flats in the main city area of Xi'an with pure townhouse technologies and ultra low plot ratio. The project inherits the essence of Jinmao's TOP series of luxury residences and follows the 12 major technological systems of Jinmao Palace to realize a living environment with comfortable temperature, humidity, cleanliness, oxygen and quietness. The project pays tribute to the spirit of the city with smart technologies, and updates the level of urban living with low-density lake residences.

During the year ended December 31, 2020, the project was launched six times and achieved hot sales each time. It has become the high-end benchmark for the entire Weiyang Lake area, ranking first in terms of average selling price and among the top five in terms of sales amount in the townhouse market in Xi'an main city area in 2020.

Xi'an Weiyang Jinmao Palace Project. Chongqing Bishan Jinmao Residence Project, a masterpiece with craftsmanship quality dedicated to Bishan, is located at the intersection of Daishan Avenue and Tieshan Road in Green Island New District, about 1.2 km away from the net-worthy Fengxiang Lake Children's Park where one can enjoy the 2,000 mu Binhu Theme Park. The project is easily accessible, about 500 m. away from the Yunba Jukin Avenue Station, so one can enjoy the city-wide facilities with the Yunba Line running north and south of Bishan and connecting Chongqing Railway Line No. 1 and Bishan High Speed Rail Station. The community is equipped with complete community facilities such as commercial shopping, nursery and old people's homes, community greengrocers and kindergartens, aiming to build the first high-end healthy smart community in Bishan with complete facilities for comfort of all ages.

During the year ended December 31, 2020, the initial sell through rate of the project reached 72%, ranking No.1 in sales volume for the same period in Bishan district, No. 5 in annual sales amount in the sales of residential units in Bishan district, and No.2 in sales amount in the new launch of projects in Bishan district in 2020, making it one of the most popular star red projects in Bishan district.

Guiyang Guanshanhu International Community Project. Guiyang Guanshanhu International Community Project is located in the Guanshanhu District, one of the twin cores for urban development. The project occupies the Shubo Avenue, a key project particularly built by the municipal government with three-dimensional traffics of double tracks, three horizontal and one vertical, which are within walking distance to Shubo Wanda and Jianghua Lixing, the two major commercial centers which will open up the main sites of future urban living. The project, endowed with two hills and one river, has introduced several famous schools, with 70,000 sq.m. of self-built high-end commercial facilities. the Group has built three major high-end products, namely high rises, landscape townhouses and duplex units, as the first independent masterpiece in Guiyang, so as to renew the city's ideal living with strength and craftmanship.

During the year ended December 31, 2020, the project was launched twice and achieved hot sales each time, with sell through rate of over 90%, making it a star project in the Guiyang market.

Taiyuan Longcheng • Jinmao Palace Project. Taiyuan Longcheng • Jinmao Palace Project, located on Longcheng Street on the outskirt of Taiyuan city, and is proudly situated in the center of three functional areas: the Central Business District, the Central Landscape Zone and the Central Park. The project is surrounded by six major traffic arteries, adjacent to the MRT Line 2 Longcheng Street Station under construction which is within just 800 meters walk. The project has observed the four seasons of Taiyuan, starting from the six vital elements of "sunlight, temperature, humidity, air, sound and water", and using the 12 major green and gold technologies that fit the characteristics of local environment to customize the five palaces with comfortable health technologies in Taiyuan with comfortable temperature, humidity, oxygen, cleanliness and quietness. Backed by 11 years of experience in building residential buildings, the Group has realized customized quality residence consensus of the top-tier urban population in Taiyuan, creating an ideal community form that deeply fits the needs of high-end circles.

During the year ended December 31, 2020, the project achieved great success in the first launch, winning three championships in terms of the sell through rate, the total amount and the number of units sold in the first launch for high-end residential properties in the Taiyuan property market.

Commercial Leasing and Retail Operations Business

Overview

We engage in the leasing of commercial properties, office buildings and retail premises (we call these properties our "**investment properties**"). As of December 31, 2020, our major investment properties for commercial leasing were the Beijing Chemsunny World Trade Center and Sinochem Tower in Beijing, the Jin Mao Tower in Shanghai, the Nanjing Xuanwu Lake Jin Mao Plaza Phase I in Nanjing and the Changsha Meixi Lake International R&D Center in Changsha. As of December 31, 2020, all five of these properties recorded full or nearly full occupancy rates.

As of December 31, 2020, our major investment properties for retail operations included Shanghai J • Life, Nanjing Jinmao Place, Changsha Jinmao Mall of Splendor and Qingdao Jinmao Harbor Shopping Mall. Our strategy is to retain properties with high investment values for rental income to provide steady cash flow.

Total revenue from the commercial leasing and retail operations business line decreased slightly from RMB1,449.8 million for the year ended December 31, 2018 to RMB1,446.8 million for the year ended December 31, 2019. Total revenue from the commercial leasing and retail operations business line increased by 1% from RMB1,446.8 million for the year ended December 31, 2019 to RMB1,461.4 million for the year ended December 31, 2020.

Investment properties – Office buildings

The following description sets out certain information for our major investment properties for commercial leasing:

Beijing Chemsunny World Trade Center. This property consists of three parallel and interconnected 14-story office buildings, with a total GFA of 194,530 sq.m. Construction commenced in April 2004, and the principal exterior construction was completed in December 2006. The Central and West Towers and some floors in the East Tower of Beijing Chemsunny World Trade Center are long-term investments and are held for lease, and the majority of floors in the East Tower have been sold.

We hold a 100% interest in the retained portions of the project. As of December 31, 2020, the occupancy rate of the Beijing Chemsunny World Trade Center was 100%. The primary tenants of this property are Sinochem Group and its affiliates, and leading companies in other industries, including finance and consulting.

Sinochem Tower. The 26-story Sinochem Tower in Beijing has a total GFA of 49,066 sq.m. We hold a 100% interest in the property. As of December 31, 2020, the occupancy rate of the Sinochem Tower was 96.1%. The principal tenants are prominent enterprises in the finance, software, and consulting industries and companies related to Sinochem Group.

Jin Mao Tower. The Jin Mao Tower in Shanghai is one of China's landmark buildings. The 88-story tower has a total GFA of 292,475 sq.m. and houses both office space and the luxury Grand Hyatt Shanghai Hotel. We own a 66.77% interest in this property.

The third through 50th floors consist of Grade A offices, and the leasable office area has an aggregate GFA of 122,131 sq.m., whereas the 53rd to 87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. As of December 31, 2020, the occupancy rate of the offices in Jin Mao Tower was 93.4%.

The primary tenants are Fortune 500 companies, Forbes 2000 companies and companies related to Sinochem Group. The Jin Mao Tower has won various industry awards, including being granted two major awards, namely, the "Best Business Efficiency" and "Top 10 Fashion Landmark" at the First China Office Building Summit in June 2011, and was named the "No. 1 Model Commercial Auxiliary Building in the Lujiazui Financial Center" by the government of Shanghai's Pudong New District.

Nanjing Xuanwu Lake Jinmao Plaza – office portion. Situated in Gulou District, Nanjing, this project occupies a site area of 37,920 sq.m. and an estimated total GFA of 453,146 sq.m. It is one of the Top Ten New Landmark Complexes in China. We acquired the project in February 2013. The project consists of one high-rise Main Tower, North Tower, South Tower, as well as an eight-story podium. We developed the project in two phases. Construction of Phase I was completed and operation commenced in March 2011.

The leasing business of Nanjing International Center includes offices in the South Tower of Phase I and a shopping mall in the podium of Phase I. The offices have a total rentable area of 14,012 sq.m. As of December 31, 2020, the occupancy rate for the office portion of Phase I was 93.2%. The shopping mall has a total GFA of 86,009 sq.m. and commenced operations in July 2011. The Company holds a 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing Xuanwu Lake Jinmao Plaza Phases I and II.

Changsha Meixi Lake International R&D Center. Located in Dahexi Pilot Zone, Changsha, this project is positioned as a villa-type R&D office building and high-rise office building project with a site area of approximately 46,353 sq.m. and an estimated total GFA of approximately 132,856 sq.m. We acquired the project in October 2012 and hold a 80% interest in the project.

Phase I consists of a villa-type R&D office building, with leasing and sales completed in 2013. Phase II consists of a high-rise office building, with leasing and sales completed in 2016. As of December 31, 2020, the occupancy rate of the Changsha Meixi Lake International R&D Center was 100%.

Investment properties – Retail premises

The following description sets out certain information for our major investment properties for retail operations:

Lijiang J-Life. Located inside the complex of Lijiang Jinmao Whisper of Jade Dragon Project, this is a high-end tourist resort and commercial flagship project, with a GFA of approximately 21,893 sq.m. Lijiang J-Life aims to offer a high-quality, rich experience and one-stop ancillary living services for domestic and overseas tourists to create a comprehensive resort experience. Phase I of the retail portion officially launched on December 28, 2014, and houses international cuisines and high-end retail shopping. We hold a 100% interest in the property.

Shanghai J-Life. The Shanghai J-Life is located in the podium building of Jin Mao Tower. The Shanghai J-Life houses many flagship stores of many brands in the retail sector, private nursing services, financial services, retailing services and Chinese and western catering services.

Nanjing Jin Mao Place. The Nanjing Jin Mao Place is situated on the first to eighth floors of the Podium in Phase 1 of the Nanjing Xuanwu Lake Jin Mao Plaza and is adjacent to the Xuanwu Lake subway station in Nanjing. In 2014, Nanjing Jin Mao Place commenced renovation and revamp for full-scale upgrade and capacity expansion.

In September of 2015, Nanjing Jinmao Place, as the first city-level shopping mall of the Company, held its grand opening, successfully introduced renowned brands including Apple as a tenant and achieved an occupancy rate of over 95% upon opening. The project offers high-end retail establishments, high-end services, international cuisine and family entertainment.

Qingdao Jinmao Harbor Shopping Mall. The Qingdao Jinmao Harbor Shopping Mall is located at the harborfront of Jiaozhou, south of Qingdao opposite to Huangdao Development Zone and Hongdao High-tech Industrial Development Zone across the sea. The property is a seafront shopping mall integrated with shopping, catering, entertainment and healthcare services and opened in June 2017.

Changsha Jinmao Mall of Splendor. The Changsha Jinmao Mall of Splendor is located inside Chinasha Meixi Lake International New City and offers a myriad of services, including shopping, recreation, catering, entertainment, a Kids Planet and a sports center, Jinmao Sports. The mall officially opened in 2017 and is the first self-operated waterfront commercial complex with global leading concepts under the commercial segment of our Company.

Hotel Operations Business

Overview of our hotel operations business

We engage in hotel operations and are committed to investing in and operating high-end hotels located in major cities and near popular vacation destinations in China. As of December 31, 2020, we owned ten hotels in China, located in Beijing, Shanghai, Sanya (Hainan Province), Shenzhen (Guangdong Province), Lijiang (Yunnan Province), Nanjing (Jiangsu Province) and Changsha (Hunan Province). Our hotel properties are managed by international hotel management companies.

Total revenue from our hotel operations segment decreased by 4.0% from RMB2,047.9 million in 2018 to RMB1,967.1 million in 2019, primarily attributable to the decreased market demand for some of the traditional resort hotels. Total revenue from our hotel operations segment decreased by 36% from RMB1,967.1 million in the year ended December 31, 2019 to RMB1,257.8 million in the year ended December 31, 2020, primarily due to the impact of COVID-19 on tourism and hospitality industry. In April 2020, Jinmao (China) Hotel Investments and Management Limited was titled the "15th China Hotel Starlight Awards – Best Hotel Owner in China" at the 2020 Asia Hotel Forum and Travel Annual Meeting cum the 15th China Hotel Starlight Awards.

Hotel properties

Westin Beijing, Chaoyang. The Westin Beijing, Chaoyang hotel opened in June 2008. The 34-story hotel has 550 guest rooms. The hotel is operated and managed by Starwood Hotels & Resorts Management Company and has a total GFA of approximately 77,945 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
Westin Beijing Chaoyang			
Average occupancy rate	82.4%	85.0%	33.0%
Average room rate (RMB)	1,218	1,123	936

Renaissance Beijing Wangfujing. We carried out a full-scale revamp of the hotel and commenced operation upon completion of refurbishment on August 29, 2014. The 14-story hotel has 329 guest rooms as well as a number of conference rooms, dining and wine outlets and other facilities. The hotel is operated and managed by Marriott Hotel International and has a total GFA of approximately 44,413 sq.m. We hold a 66.77% interest in the hotel.

	As of December 31,		
	2018	**2019**	**2020**
Renaissance Beijing Wangfujing			
Average occupancy rate	88.6%	87.6%	41.0%
Average room rate (RMB)	968	1,081	914

Grand Hyatt Shanghai. The Grand Hyatt Shanghai opened in 1999. The 35-story hotel occupies the 53rd to 87th floors of the Jin Mao Tower and has 555 guest rooms. The hotel is operated and managed by Global Hyatt Corporation and has a total GFA of 76,013 sq.m. We own a 66.77% interest in this hotel. Since opening, the Grand Hyatt Shanghai has hosted, among others, the Fortune Global Forum, the APEC Conference, the Asian Bankers' Annual Conference, Forbes' Global CEO Conference and Shanghai Expo.

	As of December 31,		
	2018	**2019**	**2020**
Grand Hyatt Shanghai			
Average occupancy rate	89.4%	89.1%	52.5%
Average room rate (RMB)	1,441	1,391	1,114

Hilton Sanya Yalong Bay Resort & Spa. Hilton Sanya Yalong Bay Resort & Spa opened in 2006 with 501 guest rooms, suites and villas situated at the enchanting Yalong Bay. The property has a total GFA of 75,208 sq.m. and 400 meters of beachfront. We own a 66.77% interest in this hotel. The hotel is operated and managed by Hilton International Corporation.

	As of December 31,		
	2018	**2019**	**2020**
Hilton Sanya Yalong Bay Resort & Spa			
Average occupancy rate	89.6%	86.1%	66.9%
Average room rate (RMB)	1,108	982	1,127

The Ritz-Carlton Sanya Yalong Bay. The Ritz-Carlton Sanya Yalong Bay opened in April 2008 and has 450 guest rooms including luxury suites and villas with private housekeepers and independent swimming pools. The hotel is operated and managed by the Ritz-Carlton Hotel Company and has a total GFA of 83,772 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
The Ritz-Carlton Sanya Yalong Bay			
Average occupancy rate	62.4%	68.4%	52.5%
Average room rate (RMB)	2,146	1,748	1,973

JW Marriott Hotel Shenzhen. The JW Marriott Hotel Shenzhen opened in March 2009 and has 411 guest rooms, a banquet hall for 400 people and five conference rooms equipped with advanced audio-visual technology. The hotel is operated and managed by Marriott Hotel International and has a total GFA of 51,730 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
JW Marriott Hotel Shenzhen			
Average occupancy rate	84.7%	87.9%	48.6%
Average room rate (RMB)	1,096	1,050	872

Westin Nanjing. The Westin Nanjing opened in 2011. In February 2013, we successfully acquired the Nanjing Xuanwu Lake Jinmao Plaza project, hence adding Westin Nanjing to our portfolio. The hotel occupies a total of 13 floors with 232 guest rooms, each overlooking Xuanwu Lake and Purple Mountain. The hotel is operated and managed by Starwood Hotels & Resorts Worldwide and has a total GFA of 32,514 sq.m. We have a 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing Xuanwu Lake Jinmao Plaza Phases I and II.

	As of December 31,		
	2018	**2019**	**2020**
Westin Nanjing			
Average occupancy rate	76.2%	80.1%	53.0%
Average room rate (RMB)	745	763	689

Hyatt Regency Chongming. Hyatt Regency Chongming opened in March 2014 and has 235 guest rooms, restaurants, business meeting rooms, entertainment and sports gym. The hotel is operated and managed by Starwood Hotels & Resort Management Company and has a total GFA of approximately 48,992 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
Hyatt Regency Chongming			
Average occupancy rate	54.2%	48.2%	61.9%
Average room rate (RMB)	724	704	670

Jinmao Purelax Mountain Hotel, Lijiang (formerly known as Grand Hyatt Lijiang). Jinmao Purelax Mountain Hotel, Lijiang, which was opened in March 2018 and has 401 guest rooms, is situated in Ganhaizi, Jade Dragon Snow Mountain. In 2018, the Company changed the business model of Jinmao Purelax Mountain Hotel, Lijiang from entrusted management to franchised operation. The hotel has a total GFA of approximately 84,384 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
Jinmao Purelax Mountain Hotel, Lijiang			
Average occupancy rate	48.4%	55.8%	49.8%
Average room rate (RMB)	723	712	801

Meixi Lake Hotel, A Luxury Collection Hotel, Changsha. Meixi Lake Hotel, A Luxury Collection Hotel, Changsha opened in May 2017 and has 304 guest rooms. The hotel has a total GFA of approximately 62,220 sq.m. We own a 100% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
Meixi Lake Hotel, A Luxury Collection Hotel, Changsha			
Average occupancy rate	55.2%	65.4%	53.3%
Average room rate (RMB)	744	736	755

We provide property management services to our customers through our property management subsidiaries, including providing services for Sinochem Tower, Beijing Chemsunny World Trade Center and Jin Mao Tower. During 2014, we fully implemented the “green gold” value and provided advanced green property management services.

The observation deck on the 88th floor of Jin Mao Tower is a popular tourist attraction in Shanghai. The observation deck drew thousands of visitors annually.

We are also engaged in ancillary businesses such as building decoration, automobile rental services, international yacht services and advertising. We provide these services to our customers and also use these services to complement our core property development, management and leasing businesses.

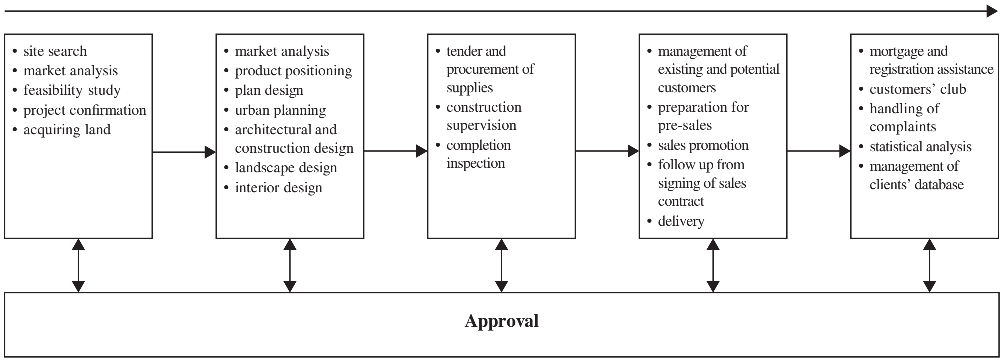
Revenue from our “others” business line (primarily including property management, building decoration and green building) increased by 34% from RMB2,220.6 million for the year ended December 31, 2019 to RMB2,968.2 million for the year ended December 31, 2020.

Property Development

Overview of property development process

In developing a project, we follow a systematic process of planning and execution while maintaining a high degree of flexibility in order to accommodate new developments in the fast-evolving business and regulatory environment of China's property market. As each project development is unique and is designed to cater to the preferences of specific target customers and markets, the details of this systematic process of planning and execution vary from project to project. Typically, our systematic process of planning and execution involves the steps set forth in the diagram below:

Sales planning, quality and cost control



Land acquisition

Site selection is one of the most important and fundamental steps in the property development process. We place a strong emphasis on the site selection process and consider it fundamental to the success of our property developments. An experienced team is responsible for identifying sites for prospective property development.

We typically consider the following general factors, among others, when deciding whether to pursue a site at a particular time:

- the size and population of the city in which the site is located;
- the prevailing macroeconomic conditions of the city in which the site is located, including to what extent large international and domestic companies are present and their need for high-end properties in such city;
- the degree to which the proposed development fits in with our product profile and growth strategies, as well as the macro development plans of the local government;
- the site's proximity to the central business district, other central commercial locations, tourist attractions and popular vacation spots;
- the site's surrounding environment and facilities, including proximity to transportation;
- infrastructure, parks, lakes, rivers, greenery, schools, universities and commercial facilities;
- existing historically significant buildings or architectural details that can be preserved and incorporated into the project development;
- the projected cash flow arrangement, costs, pricing and return on investment in respect of the project;

- projected terms of potential leases, including projections for potential rent increases; and
- the overall level of competition in the market.

Our interest in land consists of land use rights, under which entities may hold rights for investment or development purposes or may transfer their interests to other parties. Individuals and entities may acquire land use rights in a variety of ways, the two most common being land grants from local land authorities and land transfers from land users who possess existing land use rights.

We actively seek to acquire land use rights to increase the size of our land bank. We use and plan to use a variety of channels to acquire land interests, including the following:

- acquiring from local governments through public tenders, auctions and listings-for-sale;
- purchasing from existing non-governmental land-interest holders pursuant to land transfer agreements; and
- acquiring companies that hold existing land use rights.

Once we have obtained land use rights for a parcel of land, we begin applying for the certificates, permits and licenses required for construction and sale of our properties.

As of the date of the offering circular, we have obtained land use rights certificates, permits and licenses required for our existing properties under development, taking into account their respective stages of development at such date.

Resettlement of original residents

If the land to be developed includes pre-existing occupied buildings, we must compensate and relocate original residents before any demolition work and site clearance work can be carried out.

Project financing

Our financing methods may vary from project to project. Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on August 30, 2004, a property developer applying for property development loans must have, as its own working capital, at least 35% of the capital required for the development of the project. We are therefore required to fund at least 35% of our property developments with internal resources.

On June 5, 2003, the PBOC published the Notice on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加強房地產信貸業務管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land grant fees. As a result, we may use only our own funds to pay for land grant fees. The Opinion on Adjusting the Housing Supply Structures and Stabilizing House Prices (關於調整住房供應結構穩定住房價格的意見), which was promulgated by the State Council on May 24, 2006, further regulates credit requirements applicable to property development activities to deter property developers from using bank loans to accumulate land.

Pursuant to these regulations, commercial banks in the PRC may not provide loans to property developers failing to meet certain loan conditions, such as the 35% capital requirement mentioned above and the requirement that land use certificates be obtained. In May 2009, the State Council issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects (國務院關於調整固定資產投資項目資本金比例的通知), which lowered the minimum capital ratio from 35% to 20% for affordable residential projects and ordinary residential property projects and 30% for other property projects. The minimum capital ratio for the property projects other than the affordable residential projects and ordinary residential property projects was further lowered to 25% in accordance with the Notice on Adjusting and Improving the System of Registered Capital in Fixed Asset Investment Projects (國務院關於調整和完善固定資產投資項目資本金制度的通知) which was issued by the State Council in September of 2015.

We typically use two main sources of finance for our projects: internal financial reserves (including proceeds of pre-sales) and loans. Bank loans have traditionally been the primary sources of funding for our property developments. We also issued notes in Capital Market Transactions.

As of December 31, 2020, our outstanding bank loan and other borrowings has increased to RMB97,578.3 million from RMB96,571.7 million as of December 31, 2019. Our Articles of Association do not limit the amount or percentage of indebtedness that we may incur.

Project design and design work

Project design is a critical step of the project development process. Once a site is selected, we typically meet with local government officials to discuss our site development plans. We cooperate closely with government authorities in the urban planning process and aim to harmonize our projects with the existing social and economic framework planned by government authorities. We occasionally develop our projects in partnership with local developers that are considered to be leading players in the real estate development sector.

Our in-house planning and design team cooperates closely with our project managers and contracted designers and engineers on the overall planning of each development project as well as the architectural, landscape and interior design of each project. Members of our senior management actively participate in each stage of the development process, particularly in the overall planning and architectural design of each project.

We search globally for reputable and professional architectural and interior design firms to plan the architectural, landscape and interior designs of our projects in accordance with our specifications. We use a competitive bidding process in selecting these architectural and interior design firms and make our selection based on their proposed designs, their reputation for reliability and quality as well as their bidding price.

The project team appointed for a particular project regularly monitors the progress and work quality of the appointed design firms to help ensure that such firms are meeting our specifications. Upon completion of our projects that are built for our property leasing business segment, we also render fit-out services for our tenants for such properties.

We consider the following factors in assessing a proposed design:

- the specifications of the site area;

- advice provided by external advisers, including architects, construction engineers, quantity surveyors and sales and marketing experts; and

- our own internal assessment of the type of development most suitable for the site.

Our projects have been awarded a number of design awards. For example, the Beijing Chemsunny World Trade Center project was awarded the “2003 China Architectural Art Award” by the China Art Academy and was also awarded the “Award for Landmark Architectural Design in China” by the China Real Estate Association. Our award-winning architectural designs are partially a result of our collaboration on projects with highly distinguished international and domestic architectural and interior design firms.

For example, in developing the Beijing Chemsunny World Trade Center, we engaged the US-based firm of Skidmore, Owings & Merrill LLP, an internationally-renowned firm that has designed some of the most recognisable structures in the world, including the Willis Tower in Chicago (formerly the Sears Tower) and the Burj Khalifa in Dubai (currently the tallest building in the world).

Project construction and management

We develop and manage our projects through our subsidiary project companies. We typically appoint a project manager from our internal staff to oversee the overall development and management of each project.

We engage independent contractors through a competitive bidding process to provide construction, building and property fit-out services and landscaping for each of our development projects. We have established procedures to select construction contractors that meet our standards for quality and craftsmanship. Typically, the selection is conducted through public tender or invitation for bid and involves the following steps:

- an assessment committee is established 72 hours before a bid is opened;
- the assessment committee evaluates the key terms of the respective bidding proposals, including bid price and the estimated duration of construction, among other things;
- after initially examining the bidders' respective bidding documents, we short-list the bidders; and
- on-site inspections are then organised to clarify and supplement the short-listed bidders' respective bidding documents.

Competitive bids are awarded on the basis of professional qualifications, reputation for quality, past performance and cooperation and the contractors' financial situation and resources. Members of our senior management also actively participate in the bid assessment and selection process.

Our construction and decoration contractors are required to obtain relevant licenses from Ministry of Housing and Urban-Rural Development of the PRC. The contractors we currently employ for our projects possess the necessary licenses and are all independent third parties as of the date of this offering circular.

Quality control

We place a strong emphasis on quality control to ensure that we provide high-quality products and services to our customers. We have implemented strict quality control procedures to help ensure that our project companies and independent contractors achieve our quality control standards.

We appoint reputable construction companies, construction supervisory companies and quality control consultants through a competitive bidding process that vets, among other things, a bidding company's quality control record. These companies and consultants are independent third parties. We believe quality control is crucial to our reputation and successful development and, as such, regularly inspect our projects for quality control issues by internal professionals and various external independent experts, such as third-party consultants and construction supervisory companies.

Our contracts with construction companies typically contain warranties for quality. The breach of a term implies that the relevant contractor or supplier is obligated to pay compensation, and the contract provides an extra incentive to ensure the quality standards are achieved.

To further enhance quality control, the contract typically states that we retain 3%-10% of the total contract fee for one year after the project is completed. In the past, we have not had any major disputes with any of our contractors and suppliers over quality control issues, demonstrating what we believe to be our strong competence in selecting independent contractors committed to embrace quality standard.

We typically engage third-party quality consultants and construction supervisory companies to monitor and assess the performance of other independent contractors to ensure independent contractors execute our specified requirements and appropriate remedial or punitive measures are taken when those specified requirements are not met.

Our quality assurance department also performs regular quality audits on each project site and reports irregularities or poor workmanship to the general manager of the project management division and to the individual project managers responsible for the projects. Should quality issues be identified, the relevant project teams are required to rectify the problem immediately.

The general manager and the project managers inspect the projects regularly to help ensure their compliance with the required quality standards. Our project management divisions also conduct site inspections to supervise the quality and progress of construction. Each of the projects is also subject to periodic monitoring by a supervisory consultant appointed by the government, as required by applicable PRC regulations.

We believe that we have developed a strong track record of quality control in developing our projects. Our property developments have won a number of awards for excellence in construction quality, demonstrating our close attention to detail and commitment to excellence.

Sales and marketing

Sales and marketing team. We have a team of sales and marketing experts, consisting of both our employees and external agencies at our project locations throughout China, that are responsible for branding, positioning, marketing and sales of our products. Our sales and planning employees receive regular training from the Company. The sales and planning staff cooperate closely with each other in order to determine appropriate advertising and sales strategies and plans for a particular property, as well as implement on-site sales procedures.

An important part of our sales and marketing process is to accurately position a property in the market segment before the start of construction. This process includes defining each project's target customers as well as setting strategies that maximize returns from sales. During the construction stage, our sales and marketing staff also develop advertising plans as well as sales or rental plans, as applicable.

Advertising. We use various advertising media, including newspapers, magazines, television, radio, direct mail, e-marketing and outdoor billboards. We also participate in real estate exhibitions to enhance our brand awareness and promote our products. The percentage of advertising budget to total sales cost depends on the size of the particular project and whether external sales and marketing agencies are appointed.

Typically, advertising costs constitute between 20% and 40% of total sales and marketing costs. We monitor and control sales and marketing expenses in several ways, including selecting external sales and marketing agencies through a competitive bidding process to reduce costs, or, alternatively, executing promotion and sales plans through our experienced local sales team in which case sales costs are reduced significantly.

We also set up an on-site show room where project information and the project model are displayed. We also seek to set up off-site promotional centers in city centers for use in the event that an on-site show room is still under construction.

Pre-marketing. We often pre-market our products by consulting with potential tenants and buyers well in advance of the design and construction phases of developments in order to provide customised products to meet particular demand where the Company will make higher margins.

External Sales and Marketing Agencies. We occasionally select external sales and marketing agencies and do so through a competitive bidding process. We typically consider the candidate company's qualifications and reputation, past performance and market share, project proposal, allocation of available resources and the qualifications and experience of its professional staff.

These criteria are reviewed by internally appointed assessment experts for each public tender. Once engaged, the external representatives act as our agents for sales and rentals of specific designated projects. Fees payable to external sales and marketing agencies are usually negotiated on the basis of the prevailing market rates and settled in a variety of ways that conform to market practice and are determined per contract negotiations.

Pre-Sales. We typically conduct pre-sales of our properties prior to the completion of a project or a phase of the project, subject to satisfaction of certain requirements set forth in laws and regulations governing the pre-sale of properties. Under the *Law of the Administration of Urban Property of the PRC* (中華人民共和國城市房地產管理法), as amended in 2007, 2009 and 2019, and the *Administrative Measures Governing the Pre-sale of Urban Property* (城市商品房預售管理辦法), as amended in 2001 and 2004, respectively, we must meet the following conditions prior to commencing pre-sales of a given property:

- the land grant fee has been fully paid and the relevant land use right certificates have been obtained;
- the relevant permits required for the planning and construction of the property have been obtained;
- the funds contributed to the development of the project must reach 25% or above of the total amount to be invested in the project;
- the expected completion date and delivery date of the construction work have been ascertained; and
- the pre-sale permits must have been obtained from the relevant local government authorities.

In addition to the above conditions, various local regulations in each of our target cities stipulate further conditions that must be met before obtaining the pre-sale permits.

Pursuant to the Notice on Relevant Matters for Further Strengthening the Supervision of Real Estate Market and Improving the Pre-sale System of Commodity House (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) promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China in April 2010, before obtaining the pre-sale permits, we are not allowed to receive, in any manner, any deposit, prepayment or any other payment from buyers by subscription, booking, queueing or issuance of a VIP card, nor are we allowed to attend any sales exhibition activities. For those which have obtained the pre-sale permits, real estate development enterprises shall carry out one-time publications of the sources of all houses permitted to sell and the price of each house within ten days, and sell the houses strictly at the prices reported and posted.

Customers

Purchasers of our commercial projects primarily consist of SOEs, including other property investors and companies engaged in various industries. Purchasers of our residential units are generally individuals purchasing residential units for their personal dwelling or for investment purposes.

Tenants of our commercial properties primarily include SOEs, but also include major multi-national corporations. Notable tenants include Sinochem Group, Agricultural Bank of China, The Export-Import Bank of China, CCB International and Thomson Reuters, among others.

As our hotel properties are generally operated and managed by top international operators and located in prime locations in China's major cities and vacation destinations, our hotel properties typically cater to guests seeking luxury accommodations services, such as high-end business persons and tourists.

Payment for and financing of residential units

Payment for our residential units is to be made in full amount no later than the time of delivery of the key. We allow Purchasers to pay in instalments under the condition that the full amount has been paid at the time of delivery of the key.

It is common practice in the PRC for property developers to facilitate bank financing for the purchasers of residential properties. In accordance with market practice, the property developers are usually required by banks to guarantee the obligations of the purchasers to repay the mortgage loans on the property. The guarantee periods normally last for up to 18 months.

If a purchaser defaults under the loan, once the property developers repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank will assign its rights under the loan and the mortgage to the developer. After mortgage registration, the developer will have full recourse to the property. As of December 31, 2018, 2019 and 2020, the financial guarantees provided by us in respect of mortgage facilities for certain purchasers of our properties amounted to RMB23,836.9 million, RMB22,867.7 million and RMB30,337.8 million, respectively.

Completion and delivery

We strive to develop high quality properties in a timely manner within the time frame specified in any applicable pre-sale or sales contracts. Upon passing inspections by the relevant PRC government departments and receiving full payment from our customers, we transfer title of the relevant property to our customers in accordance with the terms of the relevant sale and purchase agreement.

We also assist customers in obtaining ownership certificates from the relevant PRC government departments. We assist our customers in arranging for and providing information relating to financing, including information on potential mortgagee banks, such as the Bank of East Asia and ICBC, and the mortgage terms they offer. We also assist our customers in various title registration procedures relating to a property.

Property management

In accordance with local government regulations, we engage property management companies to manage properties developed by us on behalf of our customers until the owners committee of the relevant property is established and a new property management company is appointed. We emphasize high quality customer service and efficient maintenance services for our completed projects.

When selecting property management companies, we consider the qualifications of the potential candidate, the quality of services provided, proposed fees and the potential to bring future quality tenants. Our property management staff also assists the project teams in handover inspections and the follow-up work required on our completed projects. With respect to our completed residential property developments, the owners of units in these projects are free to choose their own property management company upon establishment of a homeowners' committee.

Environmental Matters

As an operator and developer of property in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment.

The *Law on Environmental Impact Assessment of PRC* (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the Ninth National People's Congress on October 28, 2002, implemented on September 1, 2003 and amended on July 2, 2016 and December 29, 2018 provides that a real estate developer shall prepare an environmental impact assessment report for submission to PRC environmental authorities and obtain approval from such authorities before commencing construction. During the construction stage, environmental protection measures shall be taken.

Upon completion of each project, the relevant environmental authorities will inspect the site and test the environmental control facilities to help ensure compliance with all applicable environmental regulations and issue the relevant environmental test to confirm such compliance. Pursuant to the *Administrative Regulations on the Work Safety of Construction Projects* (建設工程安全生產管理條例) promulgated by the State Council on November 24, 2003 and implemented on February 1, 2004, the property developer shall ensure the fee used for safety construction measures and prepare the safety construction measures file for submission to the relevant construction authorities when the developer applies for a Permit for Commencement of Work.

During the project design stage, we must prepare an environmental impact assessment report for submission to the relevant environmental authorities. We must obtain the approval from the environmental authorities for the environmental impact assessment report before commencing construction. All of our projects currently under development have received such approval.

The necessary environmental control systems as stated in the approved environmental impact assessment report, such as sewage treatment facilities and procedures to control water and waste discharge are to be incorporated into the project design. We must also receive approval from other relevant authorities on these environmental control facilities, including the National Environmental Bureau.

During the construction stage, the environmental control facilities must be completed in accordance with the design and the relevant codes of practice. We also must ensure that our construction contractors comply with applicable environmental and safety laws and regulations during the construction period. During the construction of development projects, the environment is typically impacted by an increased amount of dust around the site, increased construction waste and increased noise pollution.

In each of these cases, our construction contractors, as part of the responsibilities under their contracts, are responsible for taking actions to clear waste, to keep dust levels low, to control noise pollution and to comply with all relevant environmental laws and regulations. In order to ensure compliance, we hire high-quality, experienced and highly-qualified contractors that we believe will reliably adhere to these regulations. In addition, we hire independent third party advisers to oversee compliance to environmental, social, health and safety regulations.

Upon completion of each project, the relevant environmental authorities will inspect the site and test the environmental control facilities to ensure compliance with all applicable environmental standards and prepare a report to confirm such compliance. The resulting report is presented together with other specified documents to the relevant construction administration authorities for their approval and record. Approval from the environmental authorities on such report is required before we can handover our completed work to our customers.

Our property development projects feature a number of innovative technologies that are designed to be environmentally responsible, including technologies that promote energy efficiency.

Land development

In relation to Changsha Meixi Lake Project, we do not have ownership title or land use right to the land. However, we have been granted the right to carry out construction and preparation work in respect of land infrastructure and ancillary public facilities for the project.

We will be in charge of land acquisition, compensation and resettlement, all preliminary municipal infrastructure and urban public facilities and other related subsequent developments within the land area of this project. When the land plots are sold by the local government, we are entitled to receive the land development fee from the local authorities.

Labor and Safety

The relevant PRC labor and safety laws and regulations primarily include the following:

- the PRC Labor Law (中華人民共和國勞動法), PRC Labor Contract Law (中華人民共和國勞動合同法),
- the PRC Labor Dispute Mediation and Arbitration Law (中華人民共和國勞動爭議調解仲裁法),
- the PRC Social Insurance Law (中華人民共和國社會保險法),
- the Opinions on Several Questions Concerning the Implementation of the Labor Law (關於貫徹執行中華人民共和國勞動法若干問題的意見),
- the Interpretation of Questions Relating to Labor Contract on Implementation of the Labor Law (實施勞動法中有關勞動合同問題的解答),
- Provisions on Minimum Wages (最低工資規定),
- Provisions on Collective Contracts (集體合同規定),
- the Trial Procedures for Childbirth Insurance for Enterprise Employees (企業職工生育保險試行辦法),
- Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees (國務院關於建立城鎮職工基本醫療保險制度的決定),
- Provisional Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例),
- Regulations on Work-Related Injury Insurance (工傷保險條例),
- Regulations on Unemployment Insurance (失業保險條例),
- Decision of the State Council on Establishing a Uniform Basic Old-Age Insurance System for Enterprise Employees (國務院關於建立統一的企業職工基本養老保險制度的決定), and
- the Regulations on the Management of the Housing Provident Fund (住房公積金管理條例).

The aforementioned laws and regulations set forth relevant provisions on labor contracts, collective contracts, working hours, rest and vacation, wages, health and safety, the special protection of female and juvenile employees, social insurance and welfare for our employees.

Regulatory Compliance

We are in compliance with, in all material respects, and have obtained all necessary approvals and permits required by, all laws and regulations relevant to our current operations.

Competition

The property industry in the PRC is highly fragmented and competitive. We primarily face competition from major domestic developers and, to a lesser extent, foreign developers, primarily from other countries or regions in Asia, including several leading developers from Hong Kong.

We compete with other property developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Some of our competitors may have greater financial, marketing, land and other resources than we, through our subsidiaries and associates, have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. For more information on competition, see "*Risk Factors – Risks Relating to Our Business – We face intense competition*."

Legal Proceedings

We are subject to various legal proceedings and claims that arise in the ordinary course of business such as disputes with tenants of our office and commercial properties and disputes with the owners of units in our residential properties. See "*Risk Factors – Risks Relating to Our Business – We may be involved in legal and other proceedings arising out of our operations or otherwise from time to time and may face significant liabilities as a result*."

Intellectual Property Rights

We rely on a combination of trademark, domain name registrations and contractual arrangements to establish and protect our brand names and logos, marketing designs and internet domain names. Our principal brand names are registered trademarks in Hong Kong. Sinochem Group has licensed to us the right to use such trademarks.

We also hold several trademarks registered in the PRC with respect to our operations, and we have registered several domain names, including franshion.com and franshion.hk. As of the date of this offering circular, we were not aware of any infringement of our intellectual property rights by any third party.

Insurance

We maintain insurance policies with insurance companies in the PRC, which cover property damage due to natural hazards, including lightning, typhoons, tornados, floods, landslides and other natural phenomena, and accidents, including fires and explosions and general liability under property all risk insurance and public liability insurance.

We believe our properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage, in line with industry practice. See "*Risk Factors – Risks Relating to Our Business – Our current insurance coverage may not be adequate to cover all risks related to our operations*."

Employees

As of December 31, 2020, we had a total of 11,592 employees. We offer competitive remuneration packages to our employees, including competitive salaries and certain other benefits including retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, maternity insurance schemes and housing fund. We periodically review and adjust salary levels according to market standards.

MANAGEMENT

Directors

The following table sets forth information on our Directors as of the date of this offering circular.

Name	Age	Position/Title
NING Gaoning	62	Chairman and Non-executive Director
YANG Lin	56	Non-executive Director
AN Hongjun	45	Non-executive Director
CHENG Yong	47	Non-executive Director
WANG Wei	52	Non-executive Director
LI Congrui	49	Executive Director and Chief Executive Officer
JIANG Nan	47	Executive Director and Chief Financial Officer
SONG Liuyi	45	Executive Director and Senior Vice President
SU Xijia	66	Independent Non-executive Director
SUEN Man Tak	62	Independent Non-executive Director
GAO Shibin	56	Independent Non-executive Director
ZHONG Wei	51	Independent Non-executive Director

Directors

Mr. NING Gaoning, aged 62, joined the Company in May 2016 as Chairman and Non-executive Director. Mr. Ning is currently a standing committee member of the 13th National Committee of the Chinese People's Political Consultative Conference. Mr. NING joined Sinochem Group in January 2016, and currently serves as the chairman of the board of directors of Sinochem Group, Sinochem Corporation and Sinochem Hong Kong (Group) Co., Ltd. He also serves as the chairman of the board of directors of Far East Horizon Limited (stock code: 03360). Mr. NING served as the chairman of the board of directors of Sinofert Holdings Limited (stock code: 00297) from March 2016 to December 2016. From October 1986 to December 2004, Mr. NING held various senior positions in China Resources (Holdings) Co., Ltd., including business manager and deputy general manager of enterprise development department, director and deputy general manager and vice chairman and general manager. Mr. NING served as the chairman of the board of directors of COFCO Corporation and director of its certain subsidiaries from December 2004 to January 2016. Mr. NING held various positions such as chairman of the board of directors of China Mengniu Dairy Company Limited (stock code: 02319) and non-executive director of China Foods Limited (stock code: 00506), China Agri-Industries Holdings Limited (stock code: 00606) and CPMC Holdings Limited (stock code: 00906) until February 2016. In addition, Mr. NING also served as an executive director of China Foods Limited until November 2013. Mr. NING was also an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 600743) until November 2014 and an independent non-executive director of BOC Hong Kong (Holdings) Limited (stock code: 02388) until October 2014. Mr. NING has over 30 years of experience in real estate development and investment, business management, capital market and discipline inspection and internal control. Mr. NING graduated from Shandong University in China with a bachelor's degree in Politics and Economics in 1983 and graduated from University of Pittsburgh in the United States with a master's degree in Business Administration in 1986. He was awarded the title of economist and senior international business engineer in 1987 and 2007, respectively. Mr. NING was a member of the 18th Central Commission for Discipline Inspection of the Communist Party of China (CPC) and a member of the "13th Five-Year Plan" National Development Planning Expert Panel. Currently, Mr. NING is a co-chairman of APEC Business Advisory Council (ABAC), chairman of APEC China Business Council, and an executive director of the International Chamber of Commerce (ICC). Mr. NING was awarded "CCTV China Economic Person of the Year" for three times, China's "Annual Top 25 Most Influential Business Leader Awards" by China Entrepreneur for 10 consecutive years, "China's Most Influential Business Leaders" by Fortune, "Asia Business Leader Awards" by CNBC, and "Asian Corporate Director" by Corporate Governance Asia. From 2007 to the present, Mr. NING has been a delegate of the 17th, 18th and 19th National Congress of the CPC respectively.

Mr. YANG Lin, aged 56, joined the Company in February 2014 as a Non-executive Director. Mr. YANG joined Sinochem Group in 1994 and had held various positions, including deputy general manager of the finance and accounting departments, general manager of the finance department, deputy general manager of the investment and development departments, general manager of the fund management department, deputy chief accountant of Sinochem Group, and deputy chief financial officer of Sinochem Corporation. Mr. YANG is currently the chief accountant of Sinochem Group and the chief financial officer of Sinochem Corporation. He also holds directorships and senior management positions in various subsidiaries and/or affiliates of Sinochem Group. Mr. YANG was a supervisor of China State Construction Engineering Corporation Limited, (a company listed on the Shanghai Stock Exchange, Stock code: 601668) from 2007 to 2010. Since October 2009, Mr. YANG has been a non-executive director of Far East Horizon Limited (of which Sinochem Group is a substantial shareholder, stock code: 03360). Mr. YANG has been a director of Sinochem International Corporation, a subsidiary of Sinochem Group (a company listed on the Shanghai Stock Exchange, stock code: 600500) since June 2010. Mr. YANG has been a non-executive director of Sinofert Holdings Limited (stock code: 00297), a subsidiary of Sinochem Group since August 2010. Mr. YANG has over 20 years of experience in fund management. Mr. YANG worked at Siemens AG and Wella AG from 1993 to 1994. Mr. YANG graduated from Tianjin University of Commerce with a bachelor's degree in Commercial Enterprise Management in 1985. He pursued a study of enterprise management courses in University of Stuttgart in Germany from 1990 to 1993.

Mr. AN Hongjun, aged 45, has been a Non-executive Director of the Company since November 2015. Mr. AN joined New China Asset Management Corporation Limited in May 2010 and served successively as the deputy general manager of the project investment department (in charge of daily operations) and the general manager of the international business department. He has been an executive director and the president of New China Asset Management (Hong Kong) Limited since April 2013. Mr. AN has served as a non-executive Director of Guotai Junan Securities Co., Ltd. (stock code: 2611; a company also listed on Shanghai Stock Exchange, stock code: 601211) since December 2019. Prior to joining New China Asset Management Corporation Limited, Mr. AN had held various positions, including project manager, macro researcher and research analyst, in Northeast Securities Co., Ltd., The People's Insurance Company (Group) of China Limited and China Life Franklin Asset Management Company Limited. Mr. AN has over 15 years of practical experience in securities, insurance and investment sectors, and has mastered a general knowledge in macroeconomics, securities investment and real estate industries, and had in-depth research on various subject such as corporate governance and development strategies. Mr. AN obtained his bachelor's degree in Economics at Jilin University in 1998, and a master's degree in Economics at Jilin University in 2002, and then the doctor's degree in Economics at Jilin University in 2006. Mr. AN obtained the Securities Practitioner Qualification Certificate issued by the Securities Association of China and the license to carry on businesses including advising on securities and asset management granted by Securities and Futures Commission of Hong Kong.

Mr. CHENG Yong, aged 47, joined the Company in August 2020 as a Non-executive Director. Mr. Cheng joined the strategic planning department of Sinochem Group Co., Ltd. ("**Sinochem Group**") in August 1999. He served as an assistant to the general manager, the deputy general manager and the general manager of the strategic planning department of Sinochem Group from August 2002 to December 2016, the vice president of the agricultural business department of Sinochem Group from January 2017 to October 2018, and the managing director of Sinochem Agriculture Holdings Limited from October 2015 to October 2018. Mr. CHENG has been the deputy director of the human resources department of Sinochem Group since October 2018, and the executive vice president of Sinochem Innovation Management Institute (中化創新管理學 院) since December 2018. Mr. CHENG has also been a director of a number of subsidiaries of Sinochem Group, including Sinochem Qingdao Co., Ltd., Sinochem Lantian Co., Ltd., China Foreign Economy and Trade Trust Co., Ltd. and Sinochem Capital Co., Ltd. since May 2012. Mr. CHENG has over 20 years of extensive experience in economic and trade, agricultural industry, corporate strategy and human resources management.

Mr. WANG Wei, aged 52, joined the Company in August 2020 as a Non-executive Director. Mr. Wang joined Ping An Insurance (Group) Company of China, Ltd. ("**Ping An Group**") in early 2013. Mr. WANG served as the managing director of Ping An Real Estate Capital Ltd. from 2013 to 2018, and has been the managing director of strategic investment of Ping An Group's asset management center since August 2018. Prior to joining Ping An Group, Mr. WANG served as an analyst at the treasury department of the head office of Bank of China Limited from 1991 to 1994, an associate, vice president and senior vice president of the fixed income and equity capital market divisions at J.P. Morgan (New York headquarters, Singapore and Hong Kong) from 1994 to 2000 and 2002 to 2005, a member of the China management committee, the managing director and co-head of the China fixed income and derivatives division at UBS Group (Hong Kong) from 2005 to 2007, a vice president and the chief financial officer of Sunshine 100 China Holdings Ltd. from 2008 to 2009, and the managing director and China head of Forum Partners from 2009 to early 2013. Mr. WANG served as a non-executive director of Wuzhou International Holdings Limited (stock code: 1369) from September 2014 to June 2018, and has been a non-executive director of CIFI Holdings (Group) Co. Ltd. (stock code: 884) since November 2018, and a non-executive director of China Fortune Land Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600340) since October 2018. Mr. WANG has over 25 years of extensive experience in domestic and overseas capital markets with a focus on real estate industry investment over the past 12 years. Mr. WANG obtained a bachelor's degree in economics, majoring in international finance, from the department of world economy of Fudan University in 1991, and a master's degree in business administration from Columbia Business School in the United States in 2002.

Mr. LI Congrui, aged 49, joined the Company in April 2009 as the vice president. Mr. LI has been serving as an executive Director of the Company since June 2011 and an executive Director and the Chief Executive Officer of the Company since January 2013. Mr. LI also holds positions in a number of subsidiaries of the Company. He has been serving as a non-executive director of Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited since March 2014, and has been the chairman of the board of directors since April 2016. Mr. LI also has been serving as the chairman of the board of directors of Sinochem Franshion Properties (Beijing) Co., Ltd. and Jinmao Investment (Changsha) Co., Ltd., and an executive director of Shanghai Jinmao Investment Management Group Co., Ltd. Mr. LI joined Sinochem Group in 1997, and had held various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. From 2003 and prior to joining the Company, Mr. LI was a director and the general manager of Zhoushan State Oil Reserve Base Company Limited. Mr. LI has over 20 years of experience in strategy management, corporate governance, organizational construction, appraisal and analysis on project investment, project management and large project construction. Mr. LI obtained a bachelor's degree in Petroleum Geology and Exploration from the Petroleum Department of China University of Geosciences (Wuhan) in 1994. He earned a master's degree in Petroleum Development from the Research Institute of Petroleum Exploration & Development in 1997 and an Executive Master of Business Administration degree from China Europe International Business School (CEIBS) in 2007.

Mr. JIANG Nan, aged 47, joined the Company in January 2006 as the Chief Financial Officer of the Company and has been involved in the day-to-day management of the Company since then. Mr. JIANG served as an executive Director of the Company from 2007 to 2011, and has been re-designated as an executive Director of the Company since August 2015. Mr. JIANG also holds positions in a number of subsidiaries of the Company, including a director and the general manager of Jinmao Capital Holding Limited, and a non-executive director of Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited. He is in charge of the direction and management of the Company's accounting and finance, capital market, investor relations and budget assessment. He joined Sinochem Group in August 1995 and worked in the finance department of Sinochem Group from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong (Group) Company Limited from August 2002 to January 2006, responsible for handling the financial management and investment projects, and the operation of overseas funds of Sinochem Group. Mr. JIANG has over 20 years of experience in corporate finance and accounting management. Mr. JIANG earned a bachelor's degree in finance from China Institute of Finance in 1995 and a master's degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate in 1999 and is now a member of the Association of International Accountants (AIA).

Mr. SONG Liuyi, aged 45, has been an Executive Director of the Company since August 2017. Mr. SONG joined the Company as the assistant to the President of the Company in May 2011 and became the Vice President of the Company in January 2013. He has been serving as the Senior Vice President of the Company since March 2017, and has been an executive Director of the Company since August 2017. Mr. SONG also holds positions in a number of subsidiaries of the Company, including the director and the general manager of Sinochem Franshion Properties (Beijing) Co., Ltd., Beijing Franshion Yicheng Properties Company Limited and Beijing Franshion Tuoying Property Development Co., Ltd. Mr. SONG joined Sinochem Group in 2001 and worked at the investment business department of Sinochem International Corporation, the investment department and general office of Sinochem Group. Mr. SONG has nearly 20 years of experience in project investment, real estate development and corporate management. Mr. SONG obtained a bachelor's degree in high polymer materials and processing from the Beijing Institute of Technology in 1998 and a master's degree in materials from the Beijing Institute of Technology in 2001.

Mr. SU Xijia, aged 66, has been an independent Non-executive Director of the Company since March 2007. He was an assistant professor in 1996 and was subsequently promoted as an associate professor in the Department of Accountancy of City University of Hong Kong. He joined China Europe International Business School (CEIBS) since July 2010 as a professor of accounting. His research focuses on corporate governance and auditing practices of PRC listed companies. He has also been appointed as the special researcher by the CICPA since 2005. He has given lectures at the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, major commercial banks and various universities in China. He was an independent director of Shenzhen SEG Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000058) from 2002 to 2008 and an independent director of Shenzhen Topray Solar Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002218) from 2007 to 2010, respectively. He was an independent director of World Union Property Consultancy (China) Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002285) from 2007 to 2013, and an independent director of Huazhong In-vehicle Holdings Company Limited (stock code: 06830) from 2011 to 2013. From 2010 to 2016, he served as an independent director of Sundy Land Investment Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600077). From 2011 to 2017, he served as an independent director of Shenzhen Ellassay Fashion Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603808), and from 2014 to 2017, he served as a non-executive director of Jiangsu Changbao Steel Tube Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002478). Mr. SU has been serving as an independent director of Industrial Bank Co., Ltd. since 2017, and he has been an independent director of Opple Lighting Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603515) and Fujian Sanmu Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000632) since June 2018. Mr. SU has over 20 years of experience in corporate governance and accounting practice. Mr. SU earned a bachelor's degree in Accounting from Xiamen University in 1982. He obtained his PhD degree from Concordia University of Canada in 1996.

Mr. SUEN Man Tak, aged 62, has been an independent Non-executive Director of the Company since November 2020. Mr. SUEN had served with the Securities and Futures Commission of Hong Kong (the "**SFC**") for more than 17 years. He is now a practicing barrister-at-law specializing in litigation and advisory matters in relation to the Securities and Futures Ordinance (the "**SFO**"), the Codes on Takeovers and Mergers and Share Buy-backs, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Code of Conduct for Persons Licensed by or Registered with the SFC, market misconduct, white collar crimes and anti-money laundering activities. Mr. SUEN has been an independent non-executive director of Sino-Ocean Group Holding Limited (stock code: 3377) since December 2015, and an independent non-executive director of Zijin Mining Group Co., Ltd. (stock code: 2899) since December 2019. Mr. SUEN received his master's degree in accountancy from the Charles Sturt University, Australia in September 1996. He further obtained a degree of juris doctor in July 2010 and a postgraduate certificate in laws in July 2011, both from the City University of Hong Kong. He was called to the Hong Kong Bar in February 2013. Mr. SUEN has been a member of the Hong Kong Institute of Certified Public Accountants since July 1998 and a member of the Hong Kong Securities and Investment Institute since April 1999.

Mr. GAO Shibin, aged 56, has been an independent Non-executive Director of the Company since November 2015. Mr. GAO served as an independent Non-executive Director of the Company from July 2007 to June 2011. Mr. GAO worked for Jones Lang LaSalle Beijing from April 2003 to May 2008 and was a national director before departure. He served as the managing director for China of Standard Chartered Asia Real Estate Fund Management Company from June 2008 to September 2009. He was the managing director of Tishman Speyer Properties and the general manager of its Beijing branch from October 2009 to October 2015. Mr. GAO worked as a project manager, a senior business manager and a senior investment manager for several investment and project management companies in the UK, Hong Kong and Canada between 1996 and 2003. Mr. GAO has over 20 years of experience in real estate development and investment, real estate finance and asset management. Mr. GAO obtained a bachelor's degree in Civil Engineering and a master's degree in Building Economics and Management from Tsinghua University in 1987 and 1989, respectively. He obtained his PhD degree in Property Development and Management from the University of Manchester in the UK in 1998. Mr. GAO is a member of the Royal Institution of Chartered Surveyors and an assessor of its membership qualification. Mr. GAO also served as a standing committee member of the Professional Committee of Urban-Rural Development (城鄉建設專業委員會) of Tsinghua University Alumni Association (清華大學校友總會).

Mr. ZHONG Wei, aged 51, has been an independent Non-executive Director of the Company since August 2020. Mr. Zhong has been a professor of the department of finance of the Business School of Beijing Normal University since July 2003. Prior to that, Mr. ZHONG served as an assistant engineer at Wuxi Alarm Devices Factory from July 1990 to July 1992, a lecturer at the Business School of Jiangnan University from July 1994 to July 1997, and an associate professor of the Business School of Beijing Normal University between 1999 and 2003. Mr. ZHONG served as an independent director of Dongxing Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601198) from August 2010 to March 2017, and has been an independent non-executive director of China Resources Land Limited (stock code: 1109) since April 2017, and an independent non-executive director of Seazen Group Limited (stock code: 1030) since December 2014. Mr. ZHONG has over 20 years of experience in the areas of corporate governance, finance and real estate research. Mr. ZHONG obtained a bachelor's degree in science from the department of physics of Nanjing University in 1990, a master's degree in management engineering from the School of Economics and Management of Southeast University in 1994, a doctoral degree in economics from Beijing Normal University in 1999, and a post-doctoral degree in management science and engineering from Tongji University in 2004.

Senior Management

Mr. LI Congrui, is our Executive Director and Chief Executive Officer. See "*Directors*" for his biography.

Mr. ZHANG Hui, aged 49, has been a vice president of the Company since January 2010. From March 2014 to October 2017, he was re-designated as the chief executive officer and executive director of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited, and he has been re-designated as a non-executive director of these companies since October 2017. Mr. ZHANG has served as the senior vice president of the Company since October 2017. Mr. ZHANG is currently an executive director of a number of subsidiaries of the Company including Jinmao Xinan Enterprise Management (Chongqing) Limited. Mr. ZHANG joined Sinochem Group in 2002 and held a number of senior positions including the general manager of Shanghai Orient Terminal Co., Ltd. Before joining Sinochem Group, he worked at Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has approximately 20 years of experience in large-scale project development and management, project investment planning and corporate governance. Mr. ZHANG graduated from China University of Geosciences (Wuhan) with a bachelor's degree in oil and gas reservoir engineering in June 1995 and obtained a executive master's degree in business administration from China Europe International Business School in September 2008. He obtained the Professional Certificate of Specialty and Technology and was awarded with the title of Senior Economist in December 2011. He was a delegate in the 14th Session of the Shanghai Municipal People's Congress.

Mr. JIANG Nan, is our Executive Director and Chief Financial Officer. See "*Directors*" for his biography.

Mr. SONG Liuyi, is our Executive Director and Senior Vice President. See "*Directors*" for his biography.

Mr. TAO Tianhai, aged 44, has been a Vice President since January 2017 and became a Senior Vice President of the Company in October 2017. Upon joining China Jin Mao (Group) Co., Ltd. in July 2000, Mr. TAO has served as the manager of planning management at the corporate planning department and the general manager of the strategic planning department. He successively served as the general manager of the strategic operations department, general manager of the cost contracting department and assistant to the president of the Company from October 2009. Mr. TAO currently serves as an executive director and chairman of a number of subsidiaries of the Company, including Jinmao (Shanghai) Real Estate Co., Ltd., Franshion Properties (Hangzhou) Co., Ltd., Franshion Properties (Ningbo) Co., Ltd. and Franshion Properties (Suzhou) Co., Ltd. Mr. TAO has more than 15 years of experience in hotel and real estate development and management, and accumulated extensive practical experience in areas of corporate management, strategic management, operations management, etc. Mr. TAO obtained a bachelor's degree in Information Management from Northeast Normal University in July 1997 and a master's degree in Economics from Fudan University in July 2000.

Mr. WEI Zhe, aged 50, has been a vice president of the Company since January 2017 and a senior vice president of the Company since October 2017. Upon joining the Company in October 2013, he served as an assistant to the president of the Company. He is currently the chairman, executive director and general manager of a number of subsidiaries of the Company, including Guangzhou Jinmao Properties Co., Ltd., Foshan Maoxing Property Development Co., Ltd. and Shenzhen Yuemao Properties Co., Ltd. Mr. WEI began his career in July 1991. He was the deputy secretary of the Youth League General Branch of the Design Review Office of Shaanxi Provincial Planning Commission from July 1991 to May 1995. He worked at China State Construction Engineering Corporation Limited from May 1995 to October 2013, during which he served as the architectural designer and the person-in-charge of project design of China Construction Northwest Design & Research Institute, senior architect of the planning and design centre of China Overseas Property Group Co., Ltd., director and deputy chief architect of China Overseas Property (Xi'an) Co., Ltd., deputy director of design of China Overseas Property Group Co., Ltd. (North China), and director and design director of China Overseas Property Chongqing Co., Ltd. He served as the general manager of China State Construction Land, Changsha Branch and general manager of Changsha CSC Investment Co., Ltd. from July 2011 to October 2013. Mr. WEI is a Grade-1 registered architect and has accumulated more than 20 years of extensive experience in design and real estate project development and management. Mr. WEI obtained a bachelor's degree in Architecture from North-western Institute of Architectural Engineering in July 1991.

Mr. LIAO Chi Chiun, aged 52, has been the Chief Accountant, Qualified Accountant and Company Secretary of the Company since March 2007. Prior to joining the Company, he served as an accountant of SEA Holdings Limited between 1997 and 2006. He has over 20 years of experience in Hong Kong and PRC accounting practice relating to property leasing and development. Mr. LIAO earned a BA (Hons) degree in Accounting from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the HKICPA.

Board Committees

Our Board has established four Board Committees: the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Strategy & Investment Committee.

Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee are Mr. ZHONG Wei, Mr. SU Xijia, Mr. GAO Shibin, Mr. CHENG Yong and Mr. WANG Wei.

The functions of the Remuneration and Nomination Committee include the following:

- to review the structure, size and composition of the Board at least annually based on the policy on Board diversity, to consider candidates according to objective conditions (including factors such as skills, knowledge, experience, gender and age), and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals who are qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorship;

- to examine the standards and procedures for selection of Directors and senior management and to make recommendations to the Board;

- to review the qualifications and abilities of candidates for directorship and senior management and to make recommendations to the Board;

- to assess the independence of the independent non-executive Directors;

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive;

- to consult with the chairman and/or the chief executive on remuneration of the other executive Directors and to seek independent professional advices as and when necessary;

- to make recommendations to the Board on the policies and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including monetary benefits, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of non-executive Directors;

- to review and approve the management's remuneration proposals with reference to the Board's corporate strategies, goals and objectives;

- to consider salaries paid by comparable companies, time commitment for discharging responsibilities, and employment conditions of other positions in the Company and its subsidiaries;

- to determine the criteria for assessing the executive Directors' and senior management's performance and appraise the performance of the executive Directors and senior management, and to seek professional assistance and advice as and when necessary;

- to review and approve compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

- to deal with any other matters authorised by the Board.

The Audit Committee

The Audit Committee is responsible for communicating with management and the internal and external auditors, as well as reviewing and overseeing our financial reporting and audit processes jointly with them. The members of the Audit Committee are Mr. SU Xijia, Mr. YANG Lin, Mr. AN Hongjun, Mr. SUEN Man Tak and Mr. GAO Shibin.

The chairman of the Audit Committee is Mr. SU Xijia. All members of the Audit Committee have financial backgrounds which help enable them to assess our financial conditions, compliance and risk exposure as well as to impartially discharge their duties and responsibilities.

The functions of the Audit Committee include the following:

- to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any questions of its resignation or dismissal;

- to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on engaging an external auditor to provide non-audit services, and report to the Board, identifying and making recommendations on any matters where action or improvements is needed;

- to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

  - any changes in accounting policies and practices;

  - major judgmental areas;

  - significant adjustments resulting from audit;

  - the going concern assumptions and any qualifications;

  - compliance with accounting standards;

  - compliance with the Listing Rules and legal requirements in relation to financial reporting.

  In order to perform the above duties:

  (a) members of the Committee should liaise with the Board, senior management of the Company. The Committee must meet, at least twice a year, with the Company's auditors;

  (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the staff responsible for the accounting and financial matters, compliance officer or auditors of the Company.

- to review the Company's financial controls, and to review the Company's risk management and internal control systems; to discuss the risk management and internal control systems with the management to help ensure that management has performed its duty to have an effective systems, and that resources, employees' qualifications and experience are adequate for performing the accounting and financial reporting functions, and the training courses received by employees and any budgets in relation thereto are sufficient; to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- to review the Company's financial and accounting policies and practices; to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- to establish and review the system for direct reporting by employees of the Company, through which they can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The Committee shall be entitled to take any action which it thinks appropriate and necessary for investigation of any unusual situation of the Company and to report it to the Board as and when necessary. The Committee shall be entitled to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- to act as the key representative body for overseeing the Company's relations with the external auditor; and

- to report to the Board on the matters set out above, and to deal with any other matters authorised by the Board.

Independent Board Committee

The members of the Independent Board Committee are Mr. SU Xijia, Mr. SUEN Man Tak, Mr. GAO Shibin and Mr. ZHONG Wei. All members are independent Non-executive Directors.

The functions of the Independent Board Committee include the following:

- discuss whether we should exercise the independent options granted by Sinochem Group to us pursuant to the Non-Competition Undertaking dated July 26, 2007 and discuss any business in connection with the Non-Competition Undertaking or any reconstruction business in relation to the properties held by Sinochem Group and the new business opportunities or property redevelopment opportunities of which we are notified by Sinochem Group in writing;

- formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers regarding the exercise of options and pursuit of new opportunities;

- for connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spin off listing arrangements subject to approval under the Listing Rules, examine whether the terms thereunder are fair and reasonable, and in the interest of the Group and its shareholders as a whole, and to make recommendations to the Board; and

- review continuing connected transactions every year and make confirmation in our annual reports and accounts.

Strategy & Investment Committee

The members of the Strategy & Investment Committee are Mr. LI Congrui, Mr. JIANG Nan, Mr. SONG Liuyi and Mr. GAO Shibin. The chairman of the Strategy & Investment Committee is Mr. LI Congrui.

The functions of the Strategy & Investment Committee include the following:

- study and formulate our growth strategies, and supervise and monitor management's execution of our growth strategies;
- review new project investment proposals submitted by management according to our growth strategies; and
- review proposals submitted by management regarding the establishment of departments at the headquarters.

Compensation of Directors and Senior Management

The aggregate amount of compensation paid and granted by us to our key management personnel for the years ended December 31, 2018, 2019 and 2020 was approximately RMB63.8 million, RMB70.2 million and RMB55.6 million, respectively.

The remuneration of members of our senior management team is determined by the Board of Directors and is reviewed on an annual basis taking into consideration performance criteria such as achieving revenue and net profit targets. Our Non-executive Directors do not receive any salary or director's fees from our Company.

Share Option Scheme

On November 22, 2007, we adopted a share option scheme (the "**2007 Scheme**"), which expired on November 21, 2017. On January 29, 2019, the Company held an extraordinary general meeting, and approved and adopted a new share option scheme (the "**New Scheme**"), the purpose of which is to increase the commitment of our employees and encourage them to pursue our objectives.

According to the terms of the New Scheme, the Board of Directors at its absolute discretion is entitled to grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants (i.e. recipients of the options granted) include any existing Executive or Non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent Non-executive Directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes shall not in aggregate exceed 10% of our then issued share capital. Accordingly, the Company may issue up to 1,155,352,832 shares to the participants under the New Scheme, representing 9.8% of our issued share capital as of December 31, 2020.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and which may fall to be issued upon exercise of the options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of our issued share capital at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at our request, pay a consideration of HK$1 or equivalent (to be determined on the date when the offer of the grant is accepted) to us as consideration for acceptance of the offer of the grant of the option.

For more details, see note 39 to our audited consolidated financial information for the year ended December 31, 2020.

SUBSTANTIAL SHAREHOLDERS

As of June 30, 2020, the following persons (other than the Directors or chief executives of the Company) had interest and short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register of the Company referred to therein, or which had already been notified to the Company and the Hong Kong Stock Exchange:

Name of the substantial shareholder	Nature	Capacity/nature of Interests	Number of ordinary shares	Approximate percentage of the issued share capital
Sinochem Hong Kong (Group) Company Limited	Long position	Beneficial owner	4,476,188,025	35.15%
Sinochem Corporation	Long position	Interest of controlled corporation(1)	4,476,188,025	35.15%
Sinochem Group Co., Ltd.	Long position	Interest of controlled corporation(1)	4,476,188,025	35.15%
Ping An Life Insurance Company of China, Ltd.	Long position	Beneficial owner	1,787,077,435	14.03%
Ping An Insurance (Group) Company of China, Ltd.	Long position	Interest of controlled corporation(2)	1,790,061,831	14.05%
New China Life Insurance Co. Ltd.	Long position	Beneficial owner	1,079,321,860	8.47%
	Long position	Interest of controlled corporation(3)	14,000,000	0.11%
UBS Group AG.	Long position	Interest of controlled corporation(4)	887,151,789	6.97%

(1) Sinochem Group Co., Ltd. holds the entire equity interests in Sinochem Corporation, which in turn holds the entire equity interests in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Group Co., Ltd. and Sinochem Corporation are both deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

(2) Ping An Insurance (Group) Company of China, Ltd. holds 99.51% equity interests in Ping An Life Insurance and the entire equity interests in Ping An of China Asset Management (Hong Kong) Company Limited. For the purpose of the SFO, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 1,787,077,435 shares beneficially owned by Ping An Life Insurance and 2,984,396 shares beneficially owned by Ping An of China Asset Management (Hong Kong) Company Limited.

(3) New China Life Insurance Company Ltd. is deemed to be interested in 14,000,000 shares beneficially owned by New China Capital Management Limited, a corporation indirectly controlled by New China Life Insurance Company Ltd.

(4) UBS Group AG is deemed to have interests in the shares of the Company held by UBS AG, UBS Switzerland AG, UBS Asset Management (Shanghai) Limited, UBS Asset Management (Americas) Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Canada) Inc., UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Japan) Ltd, UBS Asset Management Life Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Switzerland AG, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A. and UBS Fund Management (Switzerland) AG, and such companies are subsidiaries of UBS Group AG. Among such long positions, 64,000 shares are cash settled unlisted derivatives.

(5) On 6 August 2019, Sinochem Hong Kong delivered 1,787,077,435 shares to Ping An Life Insurance pursuant to a placing and subscription agreement dated 26 July 2019. Ping An Life Insurance is granted a pre-emptive right to offmarket transfers and is thus deemed to be interested in 4,476,188,025 shares held by Sinochem Hong Kong by virtue of s.317 of the SFO, and Sinochem Hong Kong is deemed to be interested in 1,787,077,435 shares held by Ping An Life Insurance by virtue of s.317 of the SFO.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading "*Certain Definitions*". The Notes are to be issued under an indenture (the "**Indenture**") to be executed by, among others, Franshion Brilliant Limited 方興光耀有限公司 (the "**Issuer**"), China Jinmao Holdings Group Limited (the "**Guarantor**"), The Bank of New York Mellon, London Branch, as trustee (the "**Trustee**") and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar (the "**Registrar**"). The following description is a summary of the material provisions of the Indenture. It does not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Copies of the Indenture will be (i) available for inspection free of charge upon prior written request and satisfactory proof of holding during normal business hours (being between (9:00 am and 3:00 pm) on any weekday (except public holidays) at the corporate trust office of the Trustee currently located at One Canada Square, London E14 5AL, United Kingdom or (ii) provided by the Trustee via email to the relevant holders, in each case, provided the Trustee has been supplied with the relevant documents by the Issuer. Certain defined terms used in this description but not defined below under "– *Certain Definitions*" have the meanings assigned to them in the Indenture.

General

The Notes will mature on April 9, 2026 and will initially be limited to US$600,000,000 aggregate principal amount. A certificate (each, a "**Note Certificate**") will be issued to each holder of the Notes in respect of its registered holding. The Notes will bear interest at the rate of 3.200% per annum from and including April 9, 2021, or from the most recent interest payment date to which interest has been paid or provided for, to and excluding the next interest payment date or the maturity date, payable semi-annually in arrear on April 9 and October 9 of each year, commencing on October 9, 2021, to the person in whose name the Note (or any predecessor Note) is registered at the close of business (whether or not a Business Day) on the preceding March 25 and September 24, as the case may be. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

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 Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

Listing and Trading of the Notes

Application will be made for listing the Notes on the Hong Kong Stock Exchange.

Payments on the Notes

The Issuer will pay principal of, premium, if any, and interest on the Notes at the office or agency of the Issuer in London or at such other location or locations as the Issuer, with the agreement of the Trustee, may designate, except that while the Notes are in definitive form and the Issuer is acting as its own paying agent, the Issuer may pay interest on the Notes by check mailed to holders of the Notes at their registered address as it appears in the Note Register or by wire transfer. Payments of the principal amount of the Notes at maturity or the principal amount to be prepaid upon redemption or repayment in full, together with accrued interest due at maturity, redemption or repayment, as the case may be, will be made to the registered holder thereof against presentation and surrender of the Notes at the specified office of the Paying Agent. Any payments of principal of, premium, if any, and interest on the Notes to be made on a date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. "**Business Day**" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in The City of New York, Hong Kong or London (or in the city where the relevant Paying Agent is located).

The Issuer has initially designated The Bank of New York Mellon, London Branch as the paying agent (the "**Paying Agent**"), and The Bank of New York Mellon SA/NV, Luxembourg Branch as the Registrar for the Notes and the transfer agent (the "**Transfer Agent**"). The Issuer may, however, change the Paying Agent, Transfer Agent or Registrar without prior notice to the holders, and the Guarantor or any of its Subsidiaries may act as Paying Agent, Transfer Agent or Registrar.

Transfer and Exchange

A holder may transfer or exchange the Notes in accordance with the Indenture. The Registrar and the Transfer Agent may require a holder to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Issuer, the Guarantor, the Registrar or the Transfer Agent for any registration of transfer or exchange of Notes, but the Issuer may require a holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Issuer is not required to recognize or give effect to a transfer or exchange of any Note selected for redemption.

Also, the Issuer is not required to recognize or give effect to a transfer or exchange of any Note for a period of 15 days before a selection of Notes to be redeemed. The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Ranking

The Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes will, except as may be provided in applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Guarantee

The Guarantor will fully and unconditionally guarantee to each holder of a Note authenticated and delivered by the Registrar the due and punctual payment of the principal of and interest on such Note (and any Additional Amounts (as described in "– *Taxation*") payable in respect thereof), when and as the same shall become due and payable, whether at the stated maturity date of the Note, by declaration of acceleration, call for redemption, repurchase or otherwise, in accordance with the terms of such Note and of the Indenture. The Guarantor's guarantee (the "**Guarantee**") will constitute a direct, unconditional, unsecured and unsubordinated obligation of the Guarantor. The payment obligation of the Guarantor under the Guarantee and the Indenture will, except as may be provided in applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Further Issues

The Issuer may from time to time, without the consent of the existing holders, create and issue additional notes under the Indenture having the same terms and conditions, as the Notes in all respects, except for issue date, issue price, and the first interest payment date with respect thereto. Additional notes issued may be consolidated with and form a single series with the previously outstanding Notes.

Redemption

Unless earlier redeemed in the limited circumstances set forth below, the Notes will mature on April 9, 2026, at a price equal to 100% of the principal amount thereof. Except as set forth below, the Notes are not redeemable at the option of the Issuer.

Optional Redemption

The Issuer may, at its option, at any time prior to March 9, 2026 (the "**First Par Call Date**") upon giving not less than 30 nor more than 60 days' prior notice, redeem the Notes, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed, if any, to the date of redemption and (2) the Make Whole Amount. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Make Whole Amount.

The Issuer may, at its option, at any time on or after the First Par Call Date upon giving not less than 30 nor more than 60 days' prior notice, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed, if any, to the date of redemption.

Notice of redemption may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, completion of an equity or debt offering, a financing, or other corporate transactions. In addition, if such notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all of such conditions are satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all of such conditions are not satisfied (or waived by the Issuer in its sole discretion) by the redemption date, or by the redemption date so delayed.

Optional Tax Redemption

The Notes may be redeemed at the option of the Issuer, at any time in whole but not in part, upon not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) to the holders of the Notes, the Paying Agent and the Trustee, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption and any Additional Amounts if, as a result of any change in or amendment to the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or official application of such laws, regulations or rulings, which change or amendment (i) in the case of the Issuer or the Guarantor becomes effective on or after March 30, 2021 and (ii) in the case of any successor to the Issuer or the Guarantor that is organized or tax resident in a jurisdiction that is not a Relevant Jurisdiction as of the original issue date of the Notes, as the case may be, becomes effective on or after the date such successor assumes the Issuer's or the Guarantor's obligations, as applicable, under the Notes and the Indenture:

(1) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts with respect to the Notes as described below under "– *Taxation*";

(2) the Guarantor is or would be unable, for reasons outside its control, on the next succeeding due date for a payment with respect to the Notes to procure payment by the Issuer, and with respect to a payment due or to become due under the Guarantee or the Indenture, the Guarantor is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts as described below under "– *Taxation*"; or

(3) any payment to the Issuer by the Guarantor or any wholly-owned subsidiary of the Guarantor to enable the Issuer to make payment of interest or Additional Amounts, if any, on the Notes is or would be on the next succeeding due date for a payment with respect to the Notes subject to withholding or deduction for taxes imposed by a Relevant Jurisdiction or any authority therein or thereof having power to tax;

and such obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be. Prior to any such redemption, the Issuer shall deliver to the Trustee: (A) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred; and (B) an opinion in form and substance satisfactory to the Trustee of independent tax advisers of recognized standing to the effect that the Issuer or (as the case may be), the Guarantor has or will become obliged to pay such Additional Amounts or (as the case may be), the Guarantor or any wholly owned subsidiary of the Guarantor has or will become obliged to make such withholding or deductions as a result of such change or amendment.

The Trustee shall be entitled to accept such Officer's Certificate and opinion of counsel as conclusive evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the holders of the Notes.

Repurchase Upon a Change of Control Triggering Event

Unless previously redeemed under "– *Redemption*" above, upon a Change of Control Triggering Event, the Issuer will be required to make an offer to repurchase all of the Notes at a price in cash equal to 101% of the principal amount of the Notes repurchased together with accrued and unpaid interest on the principal amount of Notes being repurchased to but excluding the date of repurchase as set forth below (a "**Change of Control Offer**").

Within 30 days following any Change of Control Triggering Event, the Issuer will be required to give written notice to holders describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase all of the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is given.

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

A holder will have no right to require the Issuer to repurchase portions of Notes if it would result in the issuance of new Notes, representing the portion not repurchased, in an amount of less than US$200,000.

The Issuer will comply with the requirements of applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred unless an officer of the Trustee has received written notice of the occurrence of such event. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for purchase under a Change of Control Offer and will not be responsible to the holders for any loss arising from any failure by it to do so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the amount payable under a Change of Control Offer and will not be responsible to the holders for any loss arising from any failure by it to do so.

Purchases

The Issuer, the Guarantor and their respective affiliates may at any time and from time to time purchase Notes in the open market or otherwise, subject to applicable law. Such Notes may, at the option of the Issuer, the Guarantor or the relevant affiliate, be held or surrendered to the Registrar for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective affiliates, shall not entitle the holder to vote at any meeting of holders and shall not be deemed to be outstanding for the purpose of calculating the quorum at such a meeting.

Taxation

All payments of principal and interest in respect of the Notes, and all payments pursuant to the Guarantee, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the holders of the Notes of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts will be payable in respect of any Note:

(1) to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(2) which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such Additional Amounts on surrender of such Note for payment on the last day of such period of 30 days. "**Relevant Date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders of the Notes; or

(3) to a holder (or to a third party on behalf of a holder) who would have been able to avoid such withholding or deduction by duly presenting the Note (where presentation is required) to another paying agent; or

(4) with respect to any tax, duty, assessment or other governmental charge that would not have been imposed but for the failure of the holder or beneficial owner to comply with a timely request of the Issuer or the Guarantor addressed to the holder or beneficial owner to provide certification or information concerning the nationality, residence or identity of the holder or beneficial owner of the Note, if compliance is required as a precondition to relief or exemption from the tax, duty assessment or governmental charge; or

(5) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (1) through (4).

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

Notwithstanding any other provision of the Indenture, any amounts to be paid on the Notes by or on behalf of the Issuer or the Guarantor will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer, the Guarantor, the Trustee, the Paying Agent nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

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

Certain Covenants

Limitation on Liens

So long as any Note remains outstanding (as defined in the Indenture), each of the Issuer and the Guarantor will not, and the Guarantor will not permit any of its other Subsidiaries incorporated outside of the PRC (except any Listed Subsidiary) to, create or permit to subsist any mortgage, pledge, lien, charge, encumbrance or any other security interest ("**Lien**") upon the whole or any part of its property or assets, present or future, to secure any Indebtedness (or to secure for the benefit of the holders thereof any guarantee or indemnity in respect thereof) without, in any such case, effectively providing that the Notes and the Guarantee will be secured equally and ratably with or prior to such Indebtedness (or such guarantee or indemnity in respect thereof), unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (other than the Indebtedness secured by Liens described in clauses (1) through (7) below) would not exceed 10% of the Guarantor's Tangible Net Worth.

The foregoing restriction will not apply to:

(1) any Lien existing on or prior to the date of issue of the Notes;

(2) any Lien existing on any property or asset prior to the acquisition thereof by the Issuer, the Guarantor or any other Subsidiary of the Guarantor or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(3) any Lien on any property or asset securing Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof (including, in the case of the acquisition of the equity interests of an entity in which the acquisition is financed by Indebtedness, a Lien on such equity interests and a Lien on the property or assets of such entity acquired); **provided that** such Lien attaches to such property or assets concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;

(4) any Lien securing Indebtedness owing to or held by the Issuer or the Guarantor;

(5) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;

(6) Liens on money paid to or money or securities deposited with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Issuer, the Guarantor or any other Subsidiary of the Guarantor in respect of Indebtedness (**provided that** such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full); or

(7) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses; **provided that** such Indebtedness is not increased and is not secured by any additional property or assets.

Filing with NDRC

Pursuant to Enterprise Foreign Debt Registration Certificate (Fa Gai Ban Wai Zi Bei [2020] No. 214) (企業借用外債備案登記證明(發改辦外資備[2020]214號)) (the "**Certificate**") issued by the National Development and Reform Commission ("**NDRC**"), Sinochem Group (as defined herein), the ultimate parent of the Company, has been granted a quota of foreign debt by the NDRC on April 17, 2020 (the "**Quota**"). The Issuer has obtained the permission to utilize the Quota for the purpose of the issue of the Notes pursuant to an authorization letter issued by Sinochem Group (the "**Authorization Letter**") on July 20, 2020. Pursuant to the Certificate, as the Notes will be issued within the Quota, none of the Issuer, the Company or Sinochem Group is required to complete the pre-issuance registration in respect of the Notes with the NDRC but is still required to file with the NDRC the requisite information on the issuance of the Notes after the issuance of such Notes. The Company intends to provide the requisite information on the issuance of the Notes to the NDRC within the time period prescribed by the Certificate, the terms of the Quota and the applicable requirements of Sinochem Group relating to such filing.

Consolidation, Merger and Sale of Assets

The Issuer, without the consent of a majority of the holders of the Notes, may consolidate with, merge into, or sell, transfer, lease or convey its assets substantially as an entirety to any other entity, **provided that** (i) any successor entity expressly assumes the Issuer's obligations (including payment of additional amounts, if any, resulting from any entity succeeding the Issuer, and **provided that** if the successor entity is organized under the laws of a jurisdiction other than a Relevant Jurisdiction, reference to such successor jurisdiction shall be added to the definition of "Relevant Jurisdiction" under "– *Redemption*" and "– *Taxation*") under the Notes and the Indenture, (ii) after giving effect to the transaction, no Event of Default (as defined below) and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and (iii) the other conditions specified in the Notes are satisfied.

The Guarantor, without the consent of a majority of the holders of the Notes, may consolidate with, merge into, or sell, transfer, lease or convey its assets substantially as an entirety to any other entity, **provided that** (i) any successor entity expressly assumes the Guarantor's obligations (including payment of additional amounts, if any, resulting from any entity succeeding the Guarantor, and **provided that** if the successor entity is organized under the laws of a jurisdiction other than a Relevant Jurisdiction, reference to such successor jurisdiction shall be added to the definition of "Relevant Jurisdiction" under "– *Redemption*" and "– *Taxation*") under the Notes, the Guarantee and the Indenture, (ii) after giving effect to the transaction, no Event of Default (as defined below) and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and (iii) the other conditions specified in the Notes are satisfied.

The successor entity will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Guarantor (as the case may be) under the Indenture, and the predecessor company shall be released from the obligation to pay the principal of, premium, if any, and interest on the Notes.

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.

Issuer

The Guarantor shall ensure that the Issuer (or any successor entity) shall at all times remain a wholly-owned subsidiary of the Guarantor. The Issuer's activities are limited to (i) issuing debt securities (such as the Notes), (ii) on-lending the proceeds of such issuances to the Guarantor and (iii) activities incidental to the carrying out of the actions set forth in clauses (i) to (ii) above.

Reports

So long as any of the Notes remain outstanding, the Guarantor will file with the Trustee in the English language:

(1) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Guarantor, 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 auditors;

(2) as soon as they are available, but in any event within 90 calendar days after the end of the first semi-annual fiscal period of the Guarantor, copies of its unaudited financial statement (on a consolidated basis) in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited consolidated financial statements of the Guarantor together with a certificate signed by the person then authorized to sign financial statements on behalf of the Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Guarantor as at the end of, and the results of its operations for, the relevant semi-annual period; and

(3) as soon as possible and in any event within 10 days after the Guarantor becomes aware of the occurrence thereof, written notice of the occurrence of any event or condition which constitutes, or which, after notice or lapse of time or both, would become, an Event of Default and an officer's certificate of the Guarantor setting forth the details thereof and the action the Guarantor is taking or proposes to take with respect thereto,

provided that if at any time the Capital Stock of the Guarantor is listed for trading on a recognized stock exchange, the Guarantor will file with the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Guarantor are filed with any recognized exchange on which the Guarantor's Capital Stock is at any time listed for trading, true and correct copies in the English language of any financial or other report filed with such exchange in lieu of the reports identified in clauses (1) and (2) above.

Events of Default

With respect to the Notes, the occurrence and continuance of the following events will constitute events of default ("**Events of Default**"):

(1) default in any payment of interest on any Note on the date such amount is due and payable, **provided that** such default shall continue for 30 days;

(2) default in the payment of principal of, or premium, if any, on any Note on the date such amount is due and payable, upon optional redemption, required repurchase, acceleration or otherwise;

(3) failure by the Issuer or the Guarantor to comply with its obligations under the covenants described under "*– Certain Covenants – Filing with NDRC*" or "*– Certain Covenants – Consolidation, Merger and Sale of Assets*";

(4) failure by the Issuer to comply, for 45 days after written notice by the holders of 25% or more of the aggregate principal amount of the outstanding Notes, with any of its obligations under the covenants described under "*– Repurchase Upon a Change of Control Triggering Event*" or the covenants described under "*– Certain Covenants*" (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above and other than a failure to comply with "*– Certain Covenants – Filing with NDRC*" or "*– Certain Covenants – Consolidation, Merger and Sale of Assets*" under clause (3) above);

(5) failure by the Issuer or the Guarantor to comply, for 60 days after written notice by the holders of 25% or more of the aggregate principal amount of the outstanding Notes, with its other agreements contained in the Indenture;

(6) default under any Indebtedness of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries (or the payment of which is guaranteed by the Guarantor or any of the Guarantor's Significant Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default results in the acceleration of such Indebtedness prior to its maturity, and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which the maturity of which has been so accelerated, equals or exceeds the greater of US$20 million (or its equivalent in other currencies) and 2.5% of the Guarantor's Tangible Net Worth;

(7) (i) the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries (a) commences a voluntary case or proceeding under any applicable Bankruptcy Law in respect of itself, (b) consents to the entry of judgment, decree or order for relief against it in an involuntary case or proceeding under any applicable Bankruptcy Law, (c) consents to the appointment of a Receiver of it or for any substantial part of its property and assets, (d) makes a general assignment for the benefit of its creditors, (e) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it; or (f) takes any corporate action to authorize or effect any of the foregoing; or (ii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (x) is for relief in an involuntary case against the Issuer, the Guarantor or such Significant Subsidiary, as the case may be, (y) appoints a Receiver for all or substantially all of the property and assets of the Issuer, the Guarantor or such Significant Subsidiary, as the case may be, or (z) orders the winding up or liquidation of the Issuer, the Guarantor or such Significant Subsidiary, as the case may be; and in each case under this clause (ii) such order, decree or relief has not been discharged or stayed for a period of 90 days, except (in each instance in sub-paragraphs (i) and (ii)) in the case of a Significant Subsidiary, following the purposes of or pursuant to a reconstruction, amalgamation, reorganization, merger or consolidation whilst solvent, whereby all the undertaking and assets of such Significant Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor or another Significant Subsidiary;

(8) failure by the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries to pay one or more final judgments from a court of competent jurisdiction in the PRC, the British Virgin Islands, Hong Kong, or a member country of the Organization for Economic Cooperation and Development, aggregating in excess of the greater of US$20 million (or its equivalent in other currencies) and 2.5% of the Guarantor's Tangible Net Worth (net of any amounts that are covered by insurance policies issued by solvent carriers), which judgments are not paid, discharged or stayed for a period of 60 days; or

(9) the Guarantee shall cease to be in full force or effect or the Guarantor shall deny or disaffirm its obligations under the Guarantee.

If an Event of Default (other than an Event of Default described in clause (7) above) occurs and is continuing, the Trustee by notice to the Issuer, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Issuer and the Trustee, may, and the Trustee at the written request of such holders shall (subject to receiving indemnity and/or security and/or prefunding to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Issuer, the Guarantor or any of the Guarantor's

Subsidiaries or waived by the appropriate portion of holders of the relevant Indebtedness within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. In the event of any such automatic annulment, the Issuer shall provide written notice thereof to the Trustee with an Officer's Certificate certifying the matters addressed in (1) and (2) of the preceding sentence. The Trustee may rely upon any such notice and Officer's Certificate and may also assume, in the absence of any such notice and Officer's Certificate, that such automatic annulment has not taken place. If an Event of Default described in clause (7) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to nonpayment of principal, premium or interest) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) 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.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture unless security and/or indemnity and/or prefunding satisfactory to the Trustee against any loss, liability or expense shall have been offered to the Trustee. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount of the outstanding Notes have requested (in writing) the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity and/or prefunding satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security and/or indemnity and/or prefunding; and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction (in writing) that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders of the Notes unless such holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action.

The Guarantor is required to deliver to the Trustee (i) within 90 days after the end of each fiscal year, a certificate indicating whether the Authorized Officers thereof know of any Default that occurred during the previous year and (ii) within 14 days of a written request from the Trustee, a certificate indicating whether the Authorized Officers thereof know of any Default that occurred since the date of the last certificate.

The Guarantor is also required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events which would constitute certain defaults, their status and what action the Guarantor is taking or proposing to take in respect thereof.

The Trustee and the Paying Agent need not do anything to ascertain whether any Default has occurred or is continuing and will not be responsible to holders of the Notes or any other person for any loss arising from any failure by it to do so, and, except for Events of Default described in paragraphs (1) or (2) under "– *Events of Default*" (only to the extent that the Trustee acts as the Paying Agent), unless and until the Trustee or the Paying Agent otherwise has received notice in writing to the contrary, the Trustee or the Paying Agent may assume that no such event has occurred and that the Issuer and the Guarantor are performing all of their respective obligations under the Indenture, the Notes and the Guarantee.

Amendments and Waivers

Subject to certain exceptions, the Indenture and the Notes may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of holders of 75% of the principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), no amendment may, among other things:

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the stated maturity of any Note;

(4) reduce the premium payable upon the redemption or repurchase of any Note or change the time at which any Note may be redeemed or required to be repurchased as described above under "– *Redemption*" or "– *Repurchase Upon a Change of Control Triggering Event*", whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder to receive payment of principal of, premium, if any, and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes; or

(7) make any change in the amendment provisions which require consent of holders of at least 75% in principal amount of the Notes or in the waiver provisions.

Notwithstanding the foregoing, without the consent of any holder, the Issuer, the Guarantor and the Trustee may amend the Indenture and the Notes to:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) provide for the assumption by a successor corporation of the obligations of the Issuer or the Guarantor (or any previous successor corporation) under and in accordance with the Indenture;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes;

(4) add guarantees with respect to the Notes;

(5) secure the Notes;

(6) add to the covenants of the Issuer or the Guarantor for the benefit of the holders or surrender any right or power conferred upon the Issuer or the Guarantor;

(7) make any change that does not materially adversely affect the rights of any holder;

(8) conform the text of the Indenture to any provision of this "*Description of the Notes*" to the extent that the relevant provision in the Indenture was intended to be a verbatim recitation of the relevant provision of this "*Description of the Notes*"; or

(9) provide for the appointment of a successor trustee, **provided that** the successor trustee be otherwise qualified and eligible to act as such under the terms of the Indenture.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment.

Defeasance and Covenant Defeasance

The Indenture provides that the Issuer and the Guarantor, at the option of the Issuer and the Guarantor, (i) will be deemed to have been discharged from any and all obligations in respect of the Notes (except for certain obligations to pay any Additional Amounts (as described above under "– *Taxation*") then unknown, to register the transfer of or exchange Notes, to replace stolen, lost, destroyed or mutilated Notes upon satisfaction of certain requirements (including, without limitation, providing such security and/or indemnity as the Trustee may require), to maintain paying agents and to hold certain monies in trust for payment) or (ii) need not comply with certain restrictive covenants of the Notes (including those described under "– *Certain Covenants*" and clauses (6) (cross acceleration) and (8) (judgment default) under "– *Events of Default*" above), in each case if the Issuer or the Guarantor deposits, in trust with the Trustee, money in an amount, or U.S. Government Obligations that through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or a combination thereof, in each case sufficient to pay all the principal of, interest on, and any Additional Amounts known at such time and required to be paid with regard to, the Notes, on the dates such payments are due in accordance with the terms of the Indenture and the Notes.

Concerning the Trustee and the Agents

The Bank of New York Mellon, London Branch is to be appointed as the Trustee under the Indenture and is to be appointed by the Issuer as Paying Agent with respect to the Notes. The Bank of New York Mellon SA/NV, Luxembourg Branch is to be appointed by the Issuer as Registrar and as Transfer Agent with respect to the Notes.

The Trustee shall have discretion or permissive power and it may decline to exercise the same in the absence of approval by the holders of the Notes and need not exercise the same unless it has been indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims, actions or demands to which it may render itself liable and all costs, damages, charges, expenses and liabilities which it may incur by so doing.

Obligation Currency

The Issuer's obligation under the Notes to make all payments in U.S. dollars (the "**Obligation Currency**") will not be satisfied by any payment, recovery or any other realization or proceeds in any currency other than the Obligation Currency. The Issuer has agreed to indemnify the Trustee and the holders of the Notes in U.S. dollars for any shortfall in the aggregate amount of Obligation Currency actually received by such holders and the aggregate amount of payments due and payable.

Prescription

Any monies paid by the Issuer or the Guarantor to the Paying Agent for the payment of the principal of or interest on any Notes and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable shall then be repaid to the Issuer or the Guarantor, as the case may be, and upon such repayment, all liability of the Paying Agent with respect to such monies shall thereupon cease and any holder representing a claim therefor shall thereafter look only to the Issuer or the Guarantor for payment thereof.

Under New York law, any legal action upon the Notes must be commenced within six years after the payment thereof is due. Thereafter, the Notes will generally become unenforceable.

Governing Law

The Indenture, the Notes and the Guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the Issuer and the Guarantor has consented to the jurisdiction of the state and federal courts in the Borough of Manhattan, the State and City of New York, United States of America, with respect to any action that may be brought in connection with the Notes, the Guarantee or the Indenture and has appointed Cogency Global Inc. as its authorized agent upon whom process may be served in any such action.

Waiver of Immunity

To the extent that the Issuer or the Guarantor have or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (including any immunity from non-exclusive jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property, each of the Issuer and the Guarantor irrevocably waives, to the fullest extent permitted under applicable law, any such right of immunity or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any action or proceeding against it arising out of or based on the Notes, the Guarantee or the Indenture.

Book-Entry, Delivery and Form

The Notes will be represented by a global certificate in registered form (the "**Global Certificate**") without interest coupons attached. The Global Certificate 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.

Global Certificate

Ownership of beneficial interests in the Global Certificate (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 the Global Certificate 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 Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrar 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 Certificate

Payments of any amounts owing in respect of the Global Certificate (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures.

Under the terms of the Indenture, the Issuer, the Guarantor and the Trustee will treat the registered holder of the Global Certificate (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 Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents has or will have any responsibility or liability for:

(1) 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

(2) 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 Notes

For so long as any of the Notes are represented by the Global Certificate, if any such Note, or any portion thereof, is redeemed, each of Euroclear and Clearstream will distribute the amount received by it in respect of the Note so redeemed to the holders of the book-entry interests in the Global Certificate. 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 Certificate (or any portion thereof). We understand that under existing practices of Euroclear and Clearstream, no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part and that 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 and a new Global Certificate in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Global Certificate.

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 Certificate 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 Certificate. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Certificate for definitive Note Certificates, and to distribute such definitive Note Certificates 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 beneficial owner requires physical delivery of individual definitive Note Certificates 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 beneficial owner must transfer its interest in the Global Certificate 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 Certificate that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Certificate will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Certificate and become a book-entry interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Certificate 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 immediately available funds. Since the purchasers determine the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchasers' 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 Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrar 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) 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 (2) any of the Notes has become immediately due and payable in accordance with "– *Events of Default*" and the Issuer has received a written request from a holder of the Notes, the Issuer will issue definitive Note Certificates in registered form in exchange for the Global Certificate. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Certificate for definitive Note Certificates and cause the requested definitive Note Certificates 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 Certificate for definitive Note Certificates will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Registrar to complete, execute and deliver such definitive Note Certificates. In all cases, definitive Note Certificates delivered in exchange for any Global Certificate or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Definitive Note Certificates will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

Notices to holders will be mailed to them at their respective addresses in the Note Register. Any such notice will be deemed to have been given on the fourth day after being so mailed. So long as and to the extent that the Notes are represented by a Global Certificate and such Global Certificate is held by a common depositary for Euroclear and Clearstream, notices to owners of beneficial interests in the Global Certificate may be given by delivery of the relevant notice to Euroclear and Clearstream for communication to entitled account holders.

Certain Definitions

"**Agent**" means any of the Registrar, the Paying Agent or the Transfer Agent.

"**Authorized Officer**" means (i) with respect to the Issuer, any director or officer of the Issuer and (ii) with respect to the Guarantor, any director or officer of the Guarantor, in each case as may be specified from time to time by the Issuer or the Guarantor, as the case may be, by delivery to the Trustee of one or more executed authorization certificates.

"**Bankruptcy Law**" means any applicable bankruptcy, insolvency or other similar law now or hereafter in effect.

"**Board of Directors**" means, with respect to any Person, the board of directors of such Person or any duly authorized committee thereof.

"**Capital Stock**" means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"**Change of Control**" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the assets of the Guarantor and its Subsidiaries, taken as a whole, to any "person" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) other than to the Guarantor or one or more of its Subsidiaries;

(2) the Guarantor consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Guarantor, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Guarantor or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Guarantor outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the outstanding shares of Voting Stock of the surviving Person immediately after giving effect to such transaction; or

(3) (a) the government of the People's Republic of China or Persons owned and controlled by the government of the People's Republic of China ceasing to own and control (directly or indirectly or in combination) at least 50.1% of Sinochem Group, or (b) Sinochem Group or its Subsidiaries, collectively, ceasing to be the Controlling Shareholder and the largest shareholder of the Guarantor.

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

"**Controlling Shareholder**" means, with respect to the Guarantor, the Person or group of Persons who is or are entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong, as amended from time to time, as being the level for a mandatory general offer) or more of the voting power at general meetings of the Guarantor or who is or are in a position to control the composition of a majority of the board of directors of the Guarantor.

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“**holder**” means a Person in whose name a Note is registered in the Note Register.

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

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

“**Listed Subsidiary**” means, at any time, any Subsidiary of the Guarantor the Voting Stock of which is at such time listed, quoted or admitted on a recognized stock exchange and any such Listed Subsidiary’s Subsidiaries.

“**Make Whole Amount**” means, with respect to a Note at any redemption date, the sum of (i) the present value of the principal amount of such Note, assuming a scheduled repayment thereof on the First Par Call Date, plus (ii) the present value of the remaining scheduled payments of interest to and including the First Par Call Date, in each case discounted to the redemption date at the Treasury Yield plus 0.35%.

“**New York Business Day**” means a day on which commercial banks are open for business in The City of New York.

“**Note Register**” means the register of the Notes maintained by the Registrar.

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

“**PRC**” means the People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“**Rating Agencies**” means (1) S&P Global Ratings, a division of S&P Global Inc., and its successors (“**S&P**”); (2) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”); (3) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors (“**Fitch**”); and (4) if one or more of S&P, Moody’s or Fitch shall not make a rating of the Guarantor publicly available, a United States nationally recognized securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be.

“**Rating Agency**” means each of the Rating Agencies.

“**Rating Date**” means 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 Guarantor or any other Person or Persons to effect a Change of Control.

"**Rating Decline**" means, if the Guarantor is on the Rating Date rated Investment Grade by two or more Rating Agencies, the Guarantor ceases to be rated Investment Grade by at least two of such Ratings Agencies on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Guarantor or any other person or persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Guarantor is under publicly announced consideration for possible downgrade by any of the Rating Agencies).

"**Receiver**" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

"**Relevant Jurisdiction**" means the British Virgin Islands, Hong Kong or the PRC (or any political subdivision or taxing authority thereof or therein).

"**SEC**" means the United States Securities and Exchange Commission.

"**Significant Subsidiary**" means any Subsidiary that would be a "significant subsidiary" of the Guarantor within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"**Subsidiary**" means in relation to any person and at any particular time any entity of which more than 50% of the issued share capital is then beneficially owned by such person and/or one or more of its Subsidiaries or any company or other business entity which at any time has its accounts consolidated with those of that person under the laws or regulations of Hong Kong or Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time.

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

(1) plus any subordinated shareholders' loans and any amount standing to the credit of the profit and loss account of the Guarantor as at the last day of that relevant period (to the extent such amount is not reflected in the reserves of the Guarantor referred to above);

(2) less (i) goodwill and other intangible assets and (ii) minority interests.

"**U.S. dollars**" or "**US$**" refers to the lawful currency of the United States.

"**Treasury Yield**" means:

(1) the yield, under the heading which represents the average for the week immediately preceding the date on which such yield is calculated, 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, available on the world-wide-website of the Board of Governors Federal Reserve System at http://www.federalreserve.gov/releases/h15/, or any successor site, or, failing which, on Bloomberg pages PX1, PX2 and PX3 and which establishes a yield for actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", with a maturity comparable to the time period between the redemption date and the First Par Call Date (the "**Remaining Maturity**"), (if no maturity falls within three months before or after the Remaining Maturity, yields for the two published maturities most closely corresponding to the Remaining Maturity shall be determined and the Treasury Yield shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month); or as such aforesaid yield is displayed on the Moneyline Telerate Page 7051 (or such other page which may replace that page on that service or a successor service); or

(2) in the event that such yield referred to in paragraph (1) above does not appear in such statistical release or any successor publication, site, page servicer or any successor thereto during the week preceding the date on which the Guarantor determines the Make Whole Amount (which shall be the fifth New York Business Day before the redemption date), the yield determined by the Guarantor as follows:

The Guarantor shall select and appoint, three or more primary U.S. Government securities dealers in New York City (a "**Primary Treasury Dealer**") or their respective successors as reference dealer; **provided, however, that** if any of the foregoing ceases to be a Primary Treasury Dealer, the Guarantor shall substitute therefore another Primary Treasury Dealer selected by the Guarantor. The Guarantor shall also select and appoint one of the reference dealers as the quotation agent. The quotation agent will select a United States Treasury security having a maturity comparable to the Remaining Maturity, which would be used in accordance with customary financial practice to price new issues of corporate debt securities with a maturity comparable to the Remaining Maturity. The reference dealers will provide the Guarantor with the bid and asked prices for that comparable United States Treasury security as of 5:00 p.m. (New York City time) on the fifth New York Business Day before the redemption date. The Guarantor will calculate the average of the bid and asked prices provided by each reference dealer to obtain such reference dealer's quotation. The Guarantor will eliminate the highest and the lowest quotations and then calculate the average of the remaining quotations; **provided, however, that** if the Guarantor obtains fewer than four quotations, it will calculate the average of all the quotations without eliminating any of them. The average quotation is called the comparable treasury price. The applicable Treasury Yield will be the semi-annual equivalent yield to maturity of a security whose price is equal to the comparable treasury price, in each case expressed as a percentage of its principal amount. Absent any manifest error, the determination by the Guarantor of the Treasury Yield in accordance with the procedures set forth above will be final and binding.

"**Voting Stock**" of any specified Person as of any date means Capital Stock or other ownership interest that is at the time entitled to vote in the election of the members of the Board of Directors of such Person.

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a central parity 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 June 20, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate.

The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for trading against the Renminbi on the following business day. The central parity rate of the Renminbi rose to RMB6.1448 to US$1.00 on February 28, 2014, bringing the currency's total appreciation to approximately 24.89% since reform of the exchange rate system began in July 2005. In April 2012, the PBOC expanded the floating range of Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 0.5% to 1% and further expanded it to 2.0% in March 2014. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the Renminbi against the U.S. dollars. In 2018 and 2019, the Renminbi experienced further fluctuations in value and depreciated significantly against the U.S. dollar. On August 5, 2019, the PBOC set Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amid an uncertain trade and global economic climate.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars based on the noon buying rates as certified for customs purposes by the Federal Reserve Bank of New York.

Exchange Rate

	Exchange 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	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822

	Exchange Rate			
	Period End	Average(1)	High	Low
	(RMB per US$1.00)			
2020				
July	6.9744	7.0041	7.0703	6.9744
August	6.8647	6.9310	6.9799	6.8647
September	6.7896	6.8106	6.8474	6.7529
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 (through March 19)	6,5070	6,4950	6,5250	6,4648

(1) Annual averages are calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages or average for a period are calculated by using the average of the daily rates during the relevant month or period.

TAXATION

The following summary of certain tax provisions under Hong Kong, British Virgin Islands and PRC law is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

Prospective investors (particularly those subject to specific tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

Hong Kong Taxation

Withholding tax

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

Profits tax

Hong Kong profits tax is chargeable to every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

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

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

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

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

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

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

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and where the sum has a Hong Kong source. The source of such sums will generally be determined by considering the manner in which the Notes are acquired and disposed of.

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

Stamp Duty

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

British Virgin Islands Taxation

The following summary contains a description of the principal tax laws of the British Virgin Islands, as in effect on the date hereof, and is subject to any change in the tax laws of the British Virgin Islands that may come into effect after such date (which may have retroactive effect).

Income Tax

As of the date of this offering circular, the Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands, including with respect to all interest payable by the Issuer to persons who are not persons resident in the British Virgin Islands. No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer.

Withholding Tax

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the Notes.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes, and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Enterprise Income Tax

Under the Enterprise Income Tax Law (the "**EIT Law**"), an enterprise established outside of China with a "*de facto* management body" within China is deemed a "resident enterprise," meaning that it is treated in a manner similar to a PRC enterprise for enterprise income tax purposes. Dividends paid from one resident enterprise to another may qualify as "tax-exempt income." The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on April 22, 2009 and further amended on December 29, 2017, provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with a "*de facto* management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. Pursuant to a circular issued by the State Administration of Taxation, a foreign enterprise controlled by a PRC company group shall be deemed a "resident enterprise" by the State Administration of Taxation upon application of the foreign enterprise or upon investigation by the relevant tax authorities.

The Company and the Issuer are currently not treated as PRC enterprises by the relevant tax authorities. The Company and the Issuer cannot assure that they will not be deemed a "resident enterprise" under the EIT Law, any aforesaid circulars or any amended regulations in the future. If the Company or the Issuer is treated as a PRC "resident enterprise," the interest the Company or the Issuer pays in respect of the Notes or the Guarantee may be subject to PRC withholding tax at a rate of 10% if paid to a non-PRC resident enterprise holder of the Notes and a PRC tax rate of 20% if paid to a non-PRC resident individual holder of the Notes, and any gain a holder may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at a rate of up to 10% in the case of a non-PRC resident enterprise holder and a PRC tax rate of 20% in the case of a non-PRC resident individual holder (in each case unless an applicable treaty provides otherwise). No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

Stamp Duty

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

The proposed financial transactions tax ("FTT")

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common 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.

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. The issuance and subscription of Notes should, however, be exempt.

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 which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. 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

Subject to the terms and conditions stated in the purchase agreement between the Issuer, the Company and the Initial Purchasers dated March 30, 2021 (the "**Purchase Agreement**"), the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, US$600,000,000 aggregate principal amount of the Notes set forth opposite its name in the table below.

The Initial Purchasers	**Principal Amount of the Notes**
Citigroup Global Markets Limited	US$150,000,000
J.P. Morgan Securities plc	US$150,000,000
BOSC International Company Limited	US$150,000,000
The Bank of East Asia, Limited	US$150,000,000
Total	US$600,000,000

The obligations of the Initial Purchasers under the Purchase Agreement are several and not joint. The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering circular. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell the Notes through certain of their affiliates. 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 their affiliate on behalf of the Issuer in such jurisdiction.

In the purchase agreement, the Issuer and the Company have agreed that:

- they will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act of 1933, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities; and

- the obligations of the Initial Purchasers are subject to certain conditions precedent and the Initial Purchasers are entitled to terminate the purchase agreement in certain circumstances prior to payment being made to the Issuer.

The Initial Purchasers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its or their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Company and/or its subsidiaries.

The Initial Purchasers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes. The Initial Purchasers or their respective affiliates may purchase the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Notes and the Guarantee Are Not Being Registered

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States and may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**").

No Sales of Similar Notes

Each of the Issuer and the Company has agreed that it will not, during the period from the date of the Purchase Agreement through and including the date that is five days after the closing date, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities or perpetual capital securities outside the PRC (which exclude, for the avoidance of doubt, offering, sales, contract to sell or disposal of any such securities solely in the PRC, bank loans, including bilateral and syndicated loans, club deals or the Notes) issued or guaranteed by either of the Issuer or the Guarantor and having a tenor of more than one year.

Short Positions and Stabilizing Transactions

In connection with the offering, any of the Initial Purchasers, appointed as the stabilization manager (the "**Stabilization Manager**"), may purchase and sell the Notes in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing purchases. Short sales involve the sale by the Stabilization Manager of a greater principal amount of the Notes than they are required to purchase in the offering. The Stabilization Manager must close out any short position by purchasing the Notes in the open market. A short position is more likely to be created if the Stabilization Manager is concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions involve bids to purchase the Notes so long as the stabilizing bids do not exceed a specified maximum.

Similar to other purchase transactions, the Stabilization Manager's purchases to cover the syndicate short sales and stabilizing purchasers may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

None of the Issuer, the Company or the Stabilization Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, none of the Issuer, the Company or the Stabilization Manager makes any representation that the Stabilization Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

Selling Restrictions

General

No action is being taken or is contemplated by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the Guarantee or possession or distribution of any offering circular or any amendment thereof, any supplement thereto or any other offering material relating to the Notes or the Guarantee in any jurisdiction where, or in any other circumstance in which, action for those purposes is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither the offering circular or any amendment thereof, any supplement thereto or any other offering material relating to the Notes or the Guarantee may be distributed or published by the Issuer, the Company or the Initial Purchasers in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Company or the Initial Purchasers.

United States

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States and may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms defined in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes and the Guarantee are being offered and sold outside the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee, an offer or sale of Notes or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

The Initial Purchasers have represented and agreed that they have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes 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 the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

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

United Kingdom

The Initial Purchasers have represented and agreed that they have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For these 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 (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA or (ii) a customer within the meaning 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.

The Initial Purchasers have represented and agreed that (i) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor and (ii) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Initial Purchasers have represented and agreed that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes placed in this offering circular have not been registered and will not be registered under the Financial Instruments and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

PRC

This offering circular does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC, to or for the benefit of, legal or natural persons of the PRC, except as permitted by the securities laws of the PRC.

British Virgin Islands

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the Notes.

This offering circular does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering circular 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 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

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

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

- to an institutional investor or to a relevant person as defined in Section 375(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;

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law;

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

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

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and 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).

ENFORCEABILITY OF CIVIL LIABILITIES

We are a limited liability company incorporated in Hong Kong. Substantially all of our businesses, assets and operations are located outside the United States. In addition, all of our directors and executive officers are residents of China or Hong Kong, and substantially all of the assets of such persons are located in China or Hong Kong. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the PRC or Hong Kong predicated upon the laws of jurisdictions other than the PRC or Hong Kong, including the civil liability provisions of the U.S. federal or state securities laws.

There is no legislation stipulating that there can be reciprocal enforcement of judgments between Hong Kong and the United States in Hong Kong. However, some judgments from a United States court can be enforced in Hong Kong at common law. Thus, there is doubt as to the enforceability in Hong Kong of a judgment obtained from a United States court.

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

The United States and the British Virgin Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability would not be automatically enforceable in the British Virgin Islands.

The Issuer has been advised by its British Virgin Islands legal advisers, Walkers, that, as a general matter, and subject to the standard assumptions and qualifications set out in the legal opinion of Walkers issued in connection with this matter, in the case of a final and conclusive judgment obtained against the Issuer in a court of a foreign country (with which no reciprocal arrangements with the British Virgin Islands exist or extend) for either a liquidated sum (not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations), or in certain circumstances, for in personam non-money relief, such judgment will be recognized and enforced in the courts of the British Virgin Islands (the "**Courts**") without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Courts.

With reference to the above paragraph, in each case, the Courts would enforce the relevant judgment, in the manner set out above, **provided that**:

(a) the judgment had not been wholly satisfied;

(b) such court had jurisdiction in the matter and the Company either submitted to the jurisdiction of the foreign court or was resident or carrying on business within such jurisdiction and was duly served with process;

(c) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of a court;

(d) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy or for some other similar reason the judgment could not have been entertained by the Courts; and

(e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

GENERAL INFORMATION

Documents Available

For so long as any of the Notes are outstanding, the Indenture in respect of the Notes may be inspected free of charge upon prior written request and satisfactory proof of holding during normal business hours (being between 9:00 am and 3:00 pm) on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the past two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the principal registered office of the Company.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the Common Code number 220893537 and the International Securities Identification Number for the Notes is XS2208935374. Only Notes evidenced by a Global Certificate have been accepted for clearance through Euroclear and Clearstream. The Issuer's Legal Entity Identifier (LEI) Code is 549300E3ZP4GOU3D4G57.

Listing of the Notes

Application will be made for the listing of Notes by way of debt issues to Professional Investors only on the SEHK. The SEHK takes no responsibility for the correctness of any statements made on opinions or reports contained in this offering circular. Admission of the Notes to the official list of the SEHK is not to be taken as an indication of the merits of the Notes or us.

Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business such as disputes with tenants of the Company's office and commercial properties and disputes with the owners of units in residential properties.

No Material Adverse Change

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Company since December 31, 2020.

INDEX OF FINANCIAL STATEMENTS

Audited consolidated financial statements as of and for the year ended December 31, 2020

Audited consolidated financial statements as of and for the year ended December 31, 2019

Independent Auditor's Report

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of China Jinmao Holdings Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Jinmao Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 168 to 311, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
The Group adopted the fair value model for its investment properties in accordance with HKAS 40 *Investment Property*. Changes in fair values were recognised in profit or loss. The valuations on the investment properties of the Group as at 31 December 2020 were determined by management or independent appraisers engaged by management. Different valuation techniques were applied to these investment properties. As both the year-end balance of RMB33,315,404,000 and the changes in fair value of RMB906,121,000 were significant, and the valuation involved management judgement and estimates based on a projection of future rental income, growth rate, vacancy rate, discount rate and reversionary yield, we considered the revaluation of investment properties a key audit matter of our audit. Relevant disclosures are included in notes 3 and 18 to the consolidated financial statements.	We considered the competence, capabilities and objectivity of the external appraisers. We involved our real estate valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples. We compared market rental assumptions against actual rents of existing lease contracts and external market rents, expected vacancy rate against historical data maintained by the Group, and the discount rate, the growth rate and reversionary yield against those of peers with similar nature and area of properties. We also assessed the adequacy of the disclosures of investment properties, including valuation sensitivity and the fair value hierarchy.
Impairment assessment of trade receivables	
As at 31 December 2020, the carrying amount of trade receivables of the Group was RMB446,776,000, arising from its land development revenue, the sale of properties, leasing activities, the provision of hotel and property management services. The Group recognises an impairment provision based on the expected credit loss ("ECL") approach under HKFRS 9 *Financial Instruments*. The measurement of ECL requires the application of significant judgement and estimate, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment. Relevant disclosures are included in notes 3 and 24 to the consolidated financial statements.	Our audit procedures included the assessment of the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses. We also assessed the reasonableness of management's expected credit loss allowance by examining the information used by management to form such judgement and estimate, including checking the accuracy of the historical default information, and evaluating whether the historical loss rates were appropriately adjusted based on current economic conditions and forward-looking information. We also evaluated the Group's provision for trade receivables by reference to the Group's subsequent collection of the trade receivables.

Key audit matter	How our audit addressed the key audit matter
Assessment of carrying values of properties for sale held by the Group, its associates and joint ventures	**For properties for sale held by the Group**
As at 31 December 2020, the total carrying value of Group's properties for sale, including properties under development and properties held for sale, amounted to RMB158,228,599,000. Besides, as at 31 December 2020, the total carrying value of the amounts due from associates and joint ventures amounted to RMB40,243,544,000. Given the properties for sale represents the majority of the total assets of these associates and joint ventures, management's assessment on ECL provision for the amounts due from these companies would take into account of carrying values of the properties for sale held by these companies. The assessment of carrying values of the properties for sale is complex because it involves significant management judgements and estimates regarding, among others, the net realisable value (the "NRV") of the properties for sale and anticipated construction costs to be incurred to complete properties under development based on existing plans. Relevant disclosures are included in notes 3, 6, 7, 15, 17 and 27 to the consolidated financial statements.	We understood, evaluated and tested the Group's key internal controls over the assessment of carrying values of properties for sale. In assessing the NRV of the properties for sale, we, on a sample basis, evaluated the appropriateness of their forecasted selling price based on current market price of properties of comparable locations and conditions, and on our knowledge of the Group's business and current market development in the real estate industry, where appropriate. For construction costs to be incurred to complete properties under development, we obtained an understanding of the management's process in estimating the future costs to completion for the properties under development and assessed the reasonableness of the budgeted construction costs, on a sample basis, by comparing to the actual development costs of similar projects recently completed by the Group and by checking to construction contracts and other relevant documents. We re-calculated the carrying values of properties for sale based on management's methodology at the year end.

Key audit matter	How our audit addressed the key audit matter
	For properties for sale held by the Group's associates and joint ventures We understood and assessed the Group's assessment of carrying values of the properties for sale held by its significant associates and joint ventures. In assessing the NRV of the properties for sale held by its significant associates and joint ventures, we, on a sample basis, evaluated the appropriateness of their forecasted selling price based on current market price of properties of comparable locations and conditions, based on our knowledge of the business of the significant associates and joint ventures and the current market development in the real estate industry, where appropriate. For construction costs to be incurred to complete properties under development, we obtained an understanding of the management's process in estimating the future costs to completion for the properties under development held by its significant associates and joint ventures, and assessed the reasonableness of the budgeted construction costs, on a sample basis, by checking to construction contracts and other relevant documents. We re-calculated the carrying values of properties for sale held by the Group's significant associates and joint ventures based on management's methodology at the year end.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
REVENUE	5	60,053,878	43,355,941
Cost of sales		(47,939,514)	(30,591,198)
Gross profit		12,114,364	12,764,743
Other income and gains	5	8,698,685	6,135,704
Selling and marketing expenses		(1,600,582)	(1,302,401)
Administrative expenses		(3,529,395)	(3,056,412)
Other expenses and losses, net	7	(4,381,312)	(6,916)
Finance costs	8	(2,726,978)	(2,270,766)
Share of profits and losses of:			
Joint ventures		371,098	722,390
Associates		698,297	(132,653)
PROFIT BEFORE TAX	6	9,644,177	12,853,689
Income tax expense	11	(3,449,056)	(4,195,030)
PROFIT FOR THE YEAR		6,195,121	8,658,659
Attributable to:			
Owners of the parent		3,880,986	6,481,751
Non-controlling interests		2,314,135	2,176,908
		6,195,121	8,658,659
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	RMB cents	RMB cents
Basic		31.86	55.64
Diluted		31.66	55.39

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
PROFIT FOR THE YEAR		**6,195,121**	8,658,659
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,385,011**	(967,072)
Net (loss)/gain on cash flow hedges		**(56,645)**	81,517
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax		**2,328,366**	(885,555)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation	14	**–**	69,327
Income tax effect	36	**–**	(17,332)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**–**	51,995
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**2,328,366**	(833,560)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,523,487**	7,825,099
Attributable to:			
Owners of the parent		**6,241,210**	5,715,886
Non-controlling interests		**2,282,277**	2,109,213
		8,523,487	7,825,099

Consolidated Statement of Financial Position

31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**11,307,055**	10,911,268
Properties under development	15	**59,355,429**	69,270,546
Land under development	16	**10,494,640**	10,705,213
Investment properties	18	**33,315,404**	31,260,683
Right-of-use assets	19(a)	**1,635,192**	1,614,306
Intangible assets	20	**107,472**	50,023
Investments in joint ventures	21	**16,319,443**	11,511,385
Investments in associates	22	**11,105,070**	7,597,657
Deferred tax assets	36	**3,052,845**	2,708,346
Due from non-controlling shareholders	30	**866,814**	1,069,839
Due from related parties	27	**14,413,792**	8,257,752
Other receivables and other assets	25	**410,581**	359,599
Long-term time deposit	29	**–**	3,300,000
Other financial assets	28	**146,669**	325,274
Total non-current assets		**162,530,406**	158,941,891
CURRENT ASSETS			
Properties under development	15	**79,473,565**	62,241,273
Properties held for sale	17	**19,399,605**	11,783,581
Land under development	16	**1,429,269**	1,990,602
Inventories	23	**175,892**	174,174
Trade receivables	24	**446,776**	1,445,864
Contract assets	26	**789,328**	267,009
Prepayments, other receivables and other assets	25	**38,075,532**	30,252,240
Due from related parties	27	**28,145,679**	38,264,973
Prepaid tax		**4,711,321**	4,062,185
Other financial assets	28	**501,047**	1,077
Restricted bank balances	29	**8,622,174**	7,510,751
Cash and cash equivalents	29	**43,455,580**	17,945,788
Total current assets		**225,225,768**	175,939,517

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and bills payables	31	**21,906,848**	19,086,939
Other payables and accruals	32	**104,802,117**	82,790,873
Interest-bearing bank and other borrowings	34	**27,771,429**	26,991,435
Lease liabilities	19(b)	**96,548**	75,244
Due to related parties	27	**38,135,983**	31,903,445
Tax payable		**2,282,501**	2,574,728
Derivative financial instruments	33	**10,403**	18,133
Provision for land appreciation tax	35	**2,074,146**	3,290,135
Total current liabilities		**197,079,975**	166,730,932
NET CURRENT ASSETS		**28,145,793**	9,208,585
TOTAL ASSETS LESS CURRENT LIABILITIES		**190,676,199**	168,150,476
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**69,806,849**	69,580,251
Long-term payables		**71,996**	70,000
Lease liabilities	19(b)	**1,003,027**	120,365
Derivative financial instruments	33	**85,389**	34,991
Due to related parties	27	**11,053,950**	–
Deferred tax liabilities	36	**6,827,906**	5,910,515
Total non-current liabilities		**88,849,117**	75,716,122
Net assets		**101,827,082**	92,434,354
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**26,132,248**	21,250,860
Other reserves		**20,629,816**	24,697,500
		46,762,064	45,948,360
Non-controlling interests		**55,065,018**	46,485,994
Total equity		**101,827,082**	92,434,354

Li Congrui
Director

Jiang Nan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

		Attributable to owners of the parent											
	Notes	Share capital RMB'000 (Restated) (note 38)	Capital reserve RMB'000 (Restated) (note 40)	Asset revaluation reserve RMB'000 (Restated) (note 40)	PRC statutory surplus reserve RMB'000 (Restated) (note 40)	Exchange fluctuation reserve RMB'000 (Restated)	Hedging reserve RMB'000 (Restated) (note 40)	Share option reserve RMB'000 (Restated) (note 40)	Retained profits RMB'000 (Restated)	Merger Reserve RMB'000 (Restated)	Total RMB'000 (Restated)	Non-controlling interests RMB'000 (Restated)	Total equity RMB'000 (Restated)
At 1 January 2019 as originally stated		20,416,452	(2,653,906)	134,527	3,519,052	(2,162,651)	(120,819)	51,687	16,611,894	–	35,796,236	42,469,031	78,265,267
Effect of adopting merger accounting for common control combination		–	–	–	21,695	–	–	–	64,208	6,520,000	6,605,903	–	6,605,903
At 1 January 2019 as restated		20,416,452	(2,653,906)	134,527	3,540,747	(2,162,651)	(120,819)	51,687	16,676,102	6,520,000	42,402,139	42,469,031	84,871,170
Profit for the year		–	–	–	–	–	–	–	6,481,751	–	6,481,751	2,176,908	8,658,659
Other comprehensive (loss)/income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	(899,377)	–	–	–	–	(899,377)	(67,695)	(967,072)
Net gain on cash flow hedges		–	–	–	–	–	81,517	–	–	–	81,517	–	81,517
Net gains on property revaluation		–	–	51,995	–	–	–	–	–	–	51,995	–	51,995
Total comprehensive income for the year		–	–	51,995	–	(899,377)	81,517	–	6,481,751	–	5,715,886	2,109,213	7,825,099
Issue of new shares	38	724,385	–	–	–	–	–	–	–	–	724,385	–	724,385
Issue of perpetual capital instruments	37	–	–	–	–	–	–	–	–	–	–	2,809,980	2,809,980
Redemption of perpetual capital instruments	37	–	–	–	–	–	–	–	–	–	–	(2,000,000)	(2,000,000)
Perpetual capital instruments' distribution		–	–	–	–	–	–	–	–	–	–	(1,002,256)	(1,002,256)
Acquisition of subsidiaries	42	–	–	–	–	–	–	–	–	–	–	793,305	793,305
Disposal of subsidiaries	44	–	–	–	–	–	–	–	–	–	–	(799,612)	(799,612)
De-registration of a subsidiary		–	–	–	–	–	–	–	–	–	–	(23,266)	(23,266)
Final 2018 dividend declared		–	–	–	–	–	–	–	(1,018,798)	–	(1,018,798)	–	(1,018,798)
2019 interim dividend declared	12	–	–	–	–	–	–	–	(1,273,730)	–	(1,273,730)	–	(1,273,730)
Acquisition of non-controlling interests		–	(728,574)	–	–	–	–	–	–	–	(728,574)	(3,319,940)	(4,048,514)
Capital contribution from non-controlling shareholders		–	12,513	–	–	–	–	–	–	–	12,513	6,381,155	6,393,668
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(931,616)	(931,616)
Dividends to the then shareholder		–	–	–	–	–	–	–	(59,271)	–	(59,271)	–	(59,271)
Equity-settled share option arrangements	39	–	–	–	–	–	–	84,016	–	–	84,016	–	84,016
Exercise of share options	38	110,023	–	–	–	–	–	(20,229)	–	–	89,794	–	89,794
Transfer of share option reserve upon the forfeiture of share options		–	–	–	–	–	–	(2,545)	2,545	–	–	–	–
Transfer from retained profits		–	–	–	832,179	–	–	–	(832,179)	–	–	–	–
At 31 December 2019 as restated		21,250,860	(3,369,967)	186,522	4,372,926	(3,062,028)	(39,302)	112,929	19,976,420	6,520,000	45,948,360	46,485,994	92,434,354

	Notes	Share capital RMB'000 (note 38)	Capital reserve RMB'000 (note 40)	Asset revaluation reserve RMB'000 (note 40)	PRC statutory surplus reserve RMB'000 (note 40)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000 (note 40)	Share option reserve RMB'000 (note 40)	Retained profits RMB'000	Merger Reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent											
At 1 January 2020 as originally stated		21,250,860	(3,369,967)	186,522	4,351,228	(3,062,028)	(39,302)	112,929	19,941,945	–	39,372,187	46,485,994	85,858,181
Effect of adopting merger accounting for common control combination	43	–	–	–	21,698	–	–	–	34,475	6,520,000	6,576,173	–	6,576,173
At 1 January 2020 as restated		21,250,860	(3,369,967)	186,522	4,372,926	(3,062,028)	(39,302)	112,929	19,976,420	6,520,000	45,948,360	46,485,994	92,434,354
Profit for the year		–	–	–	–	–	–	–	3,880,986	–	3,880,986	2,314,135	6,195,121
Other comprehensive (loss)/income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	2,416,869	–	–	–	–	2,416,869	(31,858)	2,385,011
Net loss on cash flow hedges		–	–	–	–	–	(56,645)	–	–	–	(56,645)	–	(56,645)
Total comprehensive income for the year		–	–	–	–	2,416,869	(56,645)	–	3,880,986	–	6,241,210	2,282,277	8,523,487
Issue of new shares	38	4,845,815	–	–	–	–	–	–	–	–	4,845,815	–	4,845,815
Issue of perpetual debts	37	–	–	–	–	–	–	–	–	–	–	5,000,000	5,000,000
Redemption of perpetual capital instruments	37	–	–	–	–	–	–	–	–	–	–	(621,000)	(621,000)
Perpetual capital instruments' distribution		–	–	–	–	–	–	–	–	–	–	(1,134,083)	(1,134,083)
Acquisition of subsidiaries	42	–	–	–	–	–	–	–	–	–	–	628,428	628,428
Disposal of subsidiaries	44	–	–	–	–	–	–	–	–	–	–	(1,023,942)	(1,023,942)
Final 2019 dividend declared	12	–	–	–	–	–	–	–	(1,181,924)	–	(1,181,924)	–	(1,181,924)
2020 interim dividend declared	12	–	–	–	–	–	–	–	(1,364,184)	–	(1,364,184)	–	(1,364,184)
Acquisition of non-controlling interests		–	(1,025,491)	–	–	–	–	–	–	–	(1,025,491)	(2,674,761)	(3,700,252)
Capital contribution from non-controlling shareholders		–	31,064	–	–	–	–	–	–	–	31,064	6,529,564	6,560,628
Dividends distribution to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(407,459)	(407,459)
Equity-settled share option arrangements	39	–	–	–	–	–	–	87,786	–	–	87,786	–	87,786
Exercise of share options	38	35,573	–	–	–	–	–	(6,145)	–	–	29,428	–	29,428
Transfer of share option reserve upon the forfeiture of share options		–	–	–	–	–	–	(7,603)	7,603	–	–	–	–
Considerations paid for acquisition of subsidiaries under common control combination		–	–	–	–	–	–	–	–	(6,850,000)	(6,850,000)	–	(6,850,000)
Transfer from retained profits		–	–	–	620,895	–	–	–	(620,895)	–	–	–	–
At 31 December 2020		26,132,248	(4,364,394)*	186,522*	4,993,821*	(645,159)*	(95,947)*	186,967*	20,698,006*	(330,000)*	46,762,064	55,065,018	101,827,082

* These reserve accounts comprise the consolidated other reserves of RMB20,629,816,000 (2019: RMB24,697,500,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,644,177	12,853,689
Adjustments for:			
Finance costs	8	2,726,978	2,270,766
Share of profits and losses of joint ventures and associates		(1,069,395)	(589,737)
Interest income	5	(3,223,777)	(2,541,856)
Other investment income	5	(556,424)	(207,017)
(Gain)/loss on disposal of items of property, plant and equipment	6	(517)	49
Gain on disposal of items of intangible assets	6	(307)	–
Provision of impairment of trade receivables	6,24	5,420	6,542
Impairment of financial assets included in prepayments, other receivables and other assets	6	3,134	–
Impairment of amounts due from related parties	7	1,311,180	–
Impairment of properties under development	7	1,543,462	–
Impairment of properties held for sale	7	1,515,492	–
Fair value gains on investment properties	5,18	(906,121)	(454,695)
Fair value gains on transfers from properties held for sale to investment properties	5	–	(356,045)
Depreciation	6,14	462,969	409,043
Depreciation of right-of-use assets	6,19	165,149	139,829
Amortisation of intangible assets	6,20	20,940	13,407
Net loss/(gain) on cash flow hedges	6	467	(1,441)
Gain on disposal of subsidiaries	5,44	(1,543,156)	(1,018,026)
Fair value gains on the equity interest previously held as investments in joint ventures and associates	5,42	(1,307,456)	(346,240)
Gain on bargain purchase	5,42	(146,548)	(401,970)
Gains on disposal of investments in joint ventures and associates	5	(371,007)	(322,454)
Gain on disposal of equity investments designated at fair value through profit or loss	5	(28,388)	–
Equity-settled share option expense	6,39	87,786	84,016
		8,334,058	9,537,860
Increase in properties under development		(53,555,143)	(43,972,654)
Decrease in properties held for sale		42,839,506	27,897,492
Decrease in land under development		961,708	214,031
Increase in inventories		(1,718)	(53,977)
Decrease/(increase) in trade receivables		1,004,768	(662,818)
Increase in contract assets		(522,319)	(112,509)
Increase in prepayments, other receivables and other assets		(11,563,222)	(7,486,628)
Decrease in amounts due from related parties		2,745,460	6,006,183
Increase in trade and bills payables		3,465,890	7,456,320
Increase in other payables and accruals		36,113,321	6,756,131
Increase in amounts due to related parties		4,383,213	15,966,166
Effect of exchange rate changes, net		216,161	(288,279)

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Cash generated from operations		**34,421,683**	21,257,318
Interest received		**2,361,289**	2,188,144
PRC corporate income tax paid		**(2,946,028)**	(2,302,128)
Land appreciation tax paid		**(2,497,788)**	(1,746,409)
Net cash flows from operating activities		**31,339,156**	19,396,925
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		**556,424**	207,017
Purchases of items of property, plant and equipment		**(862,742)**	(391,244)
Proceeds from disposal of items of property, plant and equipment		**60,408**	32,818
Proceeds from disposal of intangible assets		**527**	671
Additions to investment properties	18	**(328,198)**	(690,726)
Additions to intangible assets	20	**(77,440)**	(18,743)
(Increase)/decrease in other financial assets		**(292,977)**	915,129
Disposal of subsidiaries	44	**(374,097)**	(108,904)
Acquisition of subsidiaries	42	**(1,504,433)**	208,546
Dividends received from a joint venture		**181,660**	820,000
Investments in joint ventures		**(5,448,135)**	(3,881,786)
Investments in associates		**(2,601,726)**	(1,593,775)
Disposal of investment in a joint venture		**1,260,775**	–
Disposal of investment in an associate		**–**	530,153
Decrease/(increase) in loans to joint ventures and associates		**15,322,219**	(7,730,495)
Increase in loans to non-controlling shareholders		**(3,122,346)**	(952,962)
Increase in entrustment loans to a substantial shareholder		**(297,458)**	(1,435,928)
(Increase)/decrease in entrustment loans to third parties		**(650,068)**	1,389,728
Advance of investment to third parties		**(1,008,014)**	(440,591)
Increase in long-term deposits		**–**	(3,300,000)
Increase in restricted bank deposits		**(1,111,423)**	(3,024,721)
Settlement of derivative financial instruments		**(6,286)**	–
Net cash flows used in investing activities		**(303,330)**	(19,465,813)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares, net of issue expenses		4,845,815	724,385
Issue of perpetual debts, net of issue expenses		5,000,000	2,809,980
New bank and other borrowings		86,376,198	67,053,448
Repayment of bank and other borrowings		(90,375,954)	(61,481,355)
Increase in long-term payables		1,996	70,000
Interest paid		(8,350,752)	(6,437,315)
Advance of investment from third parties		1,814,198	4,100,367
Principal portion of lease payments		(138,507)	(78,394)
Dividends paid		(2,546,108)	(2,351,799)
Dividends paid to non-controlling shareholders		(419,459)	(966,350)
Loans from non-controlling shareholders		1,687,381	560,102
Repayment of loans from non-controlling shareholders		(964,134)	(7,726,819)
Acquisition of non-controlling interests		(3,700,252)	(4,048,514)
Acquisition of subsidiaries under common control		(6,850,000)	–
Capital contribution from non-controlling shareholders		6,560,628	6,393,668
Proceeds from exercise of share options		29,428	89,794
Distributions of perpetual capital instruments paid		(1,134,083)	(1,002,256)
Redemption of perpetual capital instruments		(621,000)	(2,000,000)
Net cash flows used in financing activities		(8,784,605)	(4,291,058)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22,251,221	(4,359,946)
Cash and cash equivalents at beginning of year		17,945,788	22,298,692
Effect of foreign exchange rate changes, net		(41,429)	7,042
CASH AND CASH EQUIVALENTS AT END OF YEAR		40,155,580	17,945,788
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	40,052,376	17,808,083
Non-pledged time deposits with original maturity of within three months when acquired		45,105	109,105
Non-pledged time deposits with original maturity of over three months when acquired with an option to withdraw upon demand similar to demand deposits		58,099	28,600
Cash and cash equivalents as stated in the consolidated statement of cash flows	29	40,155,580	17,945,788
Non-pledged time deposits with original maturity of over three months when acquired		3,300,000	–
Cash and cash equivalents as stated in the statement of financial position	29	43,455,580	17,945,788

1. CORPORATE AND GROUP INFORMATION

China Jinmao Holdings Group Limited (formerly known as Franshion Properties (China) Limited) (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- city and property development
- commercial leasing and retail operations
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group Co., Ltd., a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai International Shipping Service Center Co., Ltd.*	The PRC/ Mainland China	RMB3,150,000,000	50%	50%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/ Mainland China	US$635,000,000	100%	–	Property development
Chongqing Xingqian Properties Development Co., Ltd.*	The PRC/ Mainland China	RMB2,884,540,000	–	73%@	Property development
Jinmao Hangzhou Property Development Co., Ltd.*	The PRC/ Mainland China	RMB3,200,000,000	–	100%	Property development
Nanjing Xingtuo Investment Co., Ltd.**	The PRC/ Mainland China	RMB2,400,000,000	–	80%	Land development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid–up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Chemsunny Property Co., Ltd.***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property investment
Jinmao (China) Hotel Investments and Management Limited ("JCHIML") ^	Cayman Islands/ Hong Kong	HK$2,000,000	100%	–	Investment holding
Wangfujing Hotel Management Co., Ltd.***	The PRC/ Mainland China	US$73,345,000	–	100%	Hotel operation
China Jin Mao Group Co., Ltd.***	The PRC/ Mainland China	RMB2,635,000,000	–	100%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd.**	The PRC/ Mainland China	RMB1,600,000,000	–	100%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd.**	The PRC/ Mainland China	RMB300,000,000	–	100%	Hotel operation
Jin Mao Sanya Tourism Co., Ltd.**	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation
Jin Mao Shenzhen Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB700,000,000	–	100%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited***	The PRC/ Mainland China	US$600,000,000	–	100%	Property development
Jin Mao Investment (Changsha) Co., Ltd.**	The PRC/ Mainland China	RMB3,000,000,000	–	80%	Land development
Franshion Brilliant Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Properties (Suzhou) Limited***	The PRC/ Mainland China	US$395,000,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Xingtuo Properties Limited*	The PRC/ Mainland China	RMB260,000,000	–	90%	Property development
Changsha Jinmao City Construction Limited**	The PRC/ Mainland China	RMB2,962,500,000	–	100%	Land development
Shanghai Jin Mao Economic Development Company Ltd.**	The PRC/ Mainland China	RMB30,000,000	–	100%	Property development
Jinmao Assets Management Limited Partnership	Cayman Islands/ Hong Kong	RMB11,811,608,710	95%	5%	Property investment
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao")**	The PRC/ Mainland China	RMB4,500,000,000	–	26.5%$	Property development
Ningbo Xingmao Property Development Co., Ltd.***	The PRC/ Mainland China	US$200,000,000	–	100%	Property development
Shanghai Franshion Development Co., Ltd.**	The PRC/ Mainland China	RMB7,000,000,000	–	90%	Property development
Nanjing Runmao Property Development Co., Ltd. ("Nanjing Runmao")**	The PRC/ Mainland China	RMB3,000,000,000	–	27.5%#	Property development
Hangzhou Yimao Property Development Co., Ltd. ("Hangzhou Yimao")**	The PRC/ Mainland China	RMB2,500,000,000	–	36%$$	Property development
Beijing Franshion Tuoying Property Development Co., Ltd.**	The PRC/ Mainland China	RMB10,000,000	–	100%	Property development
Foshan Maoxing Property Development Co., Ltd.**	The PRC/ Mainland China	RMB820,000,000	–	65%	Property development
Beijing Jinfeng Property Development Co., Ltd.**	The PRC/ Mainland China	RMB11,112,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid–up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinmao Investment Management (Tianjin) Co., Ltd.**	The PRC/ Mainland China	RMB5,000,000,000	–	100%	Investment management
Hangzhou Qinmao Property Development Co., Ltd.**	The PRC/ Mainland China	RMB4,000,000,000	–	60%	Property development
Wuhan Huazi Enterprise Management Consulting Co., Ltd**	The PRC/ Mainland China	RMB6,520,000,000	–	100%	Investment holding
Jinan Yuanmao Property Development Co., Ltd.**	The PRC/ Mainland China	RMB3,162,657,780	–	100%	Property development
Tianjin Jinhui Property Development Co., Ltd.**	The PRC/ Mainland China	RMB2,580,000,000	–	100%	Property development
Shenzhen Yuemao Property Development Co., Ltd.**	The PRC/ Mainland China	RMB500,000,000	–	80%	Property development
Zhengzhou Maohui Property Development Co., Ltd.**	The PRC/ Mainland China	RMB1,530,000,000	–	100%	Property development
Ningbo Cimao Real Estate Development Co., Ltd.**	The PRC/ Mainland China	RMB410,000,000	–	36%##	Property development
Ningbo Yongmao Construction Development Co., Ltd.**	The PRC/ Mainland China	RMB400,000,000	–	80%	Land development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

* Registered as Sino-foreign joint ventures under PRC law.
** Registered as limited liability companies under PRC law.
*** Registered as wholly-foreign-owned entities under PRC law.
^ Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel and are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). JCHIML and its subsidiaries are collectively referred to as the JCHIML Group. On 5th October 2020, JCHIML Group finished its privatisation transaction and withdrawal of its listing of the share stapled units on the Stock Exchange.
@ This entity is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.
# The Group is entitled to 57.5% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.
$ The Group is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.
$$ The Group is entitled to 60% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.
The Group is entitled to 51% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.

The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and other financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Adoption of merger accounting and restatement

As disclosed in note 42 to the consolidated financial statements, a business combination under common control was effected during the year ended 31 December 2020, where the business acquired in the business combination and the Company are both ultimately controlled by Sinochem Group. The Group has applied merger accounting to account for the business combination under common control.

Under merger accounting, the consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the earliest date presented or since the date when the combining entities or businesses first came under the control of the controlling party, where this is a shorter period, regardless of the date of the business combination under common control.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill.

The comparative amounts in the consolidated financial statements are restated as if the combining entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later. The impact on the Group arising from the common control combination is disclosed in note 42 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS *5 Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and certain financial assets at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, land under development, properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 9.5%
Leasehold improvements	18% – 20%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to the statement of profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

***Group as a lessee* (Continued)**

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 70 years
Office properties and staff quarters	2 to 15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in–substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee **(Continued)**

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

***Initial recognition and measurement* (Continued)**

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss **(Continued)**

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host: a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative: and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, interest-bearing bank and other borrowings, lease liabilities, long-term payables, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement **(Continued)**

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

***Initial recognition and subsequent measurement* (Continued)**

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non–current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non–current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers **(Continued)**

(a) *Sale of completed properties*

Revenue from the sale of completed properties is recognised at the point in time when control of the asset is transferred to the customer, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has obtained the right to payment and the collection of the consideration is probable;

(b) *Land development*

Revenue from land development is recognised at the point in time when control of the asset is transferred to the customers, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(c) *Hotel operations*

Hotel and other service income is recognised in the period in which such services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group;

(d) *Property management services*

Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group;

(e) *Design, construction and decoration services*

Revenue from the provision of design, construction and decoration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the design, construction and decoration services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as properties under development, land under development, inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 39 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate of 3.92% has been applied to the expenditure on the group level.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, while the Company's functional currency is HK$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non–monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and subsidiaries operating outside Mainland China are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rate ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arises throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the properties development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

***Provision for expected credit losses on trade receivables and contract assets* (Continued)**

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 24 and note 26 to the financial statements, respectively.

Provision for expected credit losses on amounts due from joint ventures and associates

The Group uses general approach to calculate ECLs on the amounts due from joint ventures and associates. For those associates and joint ventures undertaking property development projects, if applicable, the provision is measured at an amount equal to the lifetime ECL which would be calculated by taking into account the impairment losses of the properties under development and properties held for sale held by the associates and joint ventures. The ECLs reflect the current conditions and forecasts of future economic conditions, as appropriate. The assessment of the carrying value properties under development and properties held for sale held by the associates and joint ventures and ECLs is a significant estimate. As at 31 December 2020, the loss allowance was assessed and recognised at an amount of RMB1,311,180,000 (2019: Nil). Further details are disclosed in note 27 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

***Estimation of fair value of investment properties* (Continued)**

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2020 was RMB33,315,404,000 (2019: RMB31,260,683,000). Further details, including the key assumptions used for the fair value measurement, are given in note 18 to the financial statements.

Measurement of properties under development

The Group's properties under development is stated at the lower of cost and net realisable value. Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years.

Based on the Group's recent experience and the nature of the subject project, the Group makes estimates of cost of properties under development, and its net realisable value, i.e., the revenue to be derived from the properties under development for sale, less costs to completion and the costs to be incurred in realising the revenue from the sale of properties under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of properties under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of properties under development at 31 December 2020 was RMB138,828,994,000 (2019: RMB131,511,819,000). Further details are given in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Costs of land under development during the construction stage, before the final settlement of the development costs and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2020 was RMB11,923,909,000 (2019: RMB12,695,815,000). Further details are given in note 16 to the financial statements.

Estimation of net realisable value for properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amounts of properties held for sale at 31 December 2020 were RMB19,399,605,000 (2019: RMB11,783,581,000). Further details are given in note 17 to the financial statements.

Provision for impairment of properties for sale

Management reviews the market conditions of properties for sale held by the Group and associates and joint ventures at the end of each reporting period, and makes provision for impairment of properties for sale identified that the net realisable value is lower than cost. Management estimates the net realisable value for properties for sale based primarily on the latest selling prices and current market conditions. If the condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected. Further details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was RMB682,961,000 (2019: RMB710,968,000). The amount of unrecognised tax losses at 31 December 2020 was RMB4,508,776,000 (2019: RMB3,091,488,000). Further details are contained in note 36 to the financial statements.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2020 was RMB2,282,501,000 (2019: RMB2,574,728,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2020 was RMB2,074,146,000 (2019: RMB3,290,135,000). Further details are given in note 35 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the city and property development segment develops city complexes and properties and develops land;

(b) the commercial leasing and retail operations segment leases office and retail commercial premises;

(c) the hotel operations segment provides hotel accommodation services, food and beverage; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, and the operation of an observation deck.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income, non-lease-related finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude derivative financial instruments, deferred tax assets, prepaid tax, restricted bank balances, cash and cash equivalents, certain financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

The Group's operations are mainly conducted in Mainland China. Management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020	City and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue: (Note 5)					
Sales to external customers	54,366,536	1,461,345	1,257,838	2,968,159	60,053,878
Intersegment sales	–	17,593	–	1,137,050	1,154,643
	54,366,536	1,478,938	1,257,838	4,105,209	61,208,521
Reconciliation:					
Elimination of intersegment sales					(1,154,643)
Total revenue					60,053,878
Segment results	7,301,080	1,632,786	(62,696)	392,846	9,264,016
Reconciliation:					
Elimination of intersegment results					(676,727)
Interest income					3,223,777
Other investment income					556,424
Gain on disposal of equity investment designated at fair value through profit or loss					28,388
Corporate and other unallocated expenses					(65,630)
Finance costs (other than interest on lease liabilities)					(2,686,071)
Profit before tax					9,644,177
Segment assets	388,227,237	49,475,361	12,519,612	8,895,844	459,118,054
Reconciliation:					
Elimination of intersegment assets					(193,944,023)
Corporate and other unallocated assets					122,582,143
Total assets					387,756,174
Segment liabilities	287,796,857	15,012,674	6,564,742	6,840,797	316,215,070
Reconciliation:					
Elimination of intersegment liabilities					(185,302,220)
Corporate and other unallocated liabilities					155,016,242
Total liabilities					285,929,092
Other segment information:					
Share of profits of joint ventures	370,064	–	–	1,034	371,098
Share of profits of associates	698,297	–	–	–	698,297
Depreciation and amortisation	129,410	43,377	417,404	58,867	649,058
Loss/(gain) on disposal of items of property, plant and equipment	901	(1,645)	104	123	(517)
Impairment losses recognised in the statement of profit or loss, net	4,370,134	–	1,060	7,494	4,378,688
Fair value gains on investment properties	–	906,121	–	–	906,121
Investments in associates	11,038,330	–	–	66,740	11,105,070
Investments in joint ventures	16,289,853	–	–	29,590	16,319,443
Capital expenditure*	229,274	550,373	118,990	382,296	1,280,933

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, and investment properties including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019	City and property development (Restated) RMB'000	Commercial leasing and retail operations (Restated) RMB'000	Hotel operations (Restated) RMB'000	Others (Restated) RMB'000	Total (Restated) RMB'000
Segment revenue: (Note 5)					
Sales to external customers	37,721,403	1,446,776	1,967,118	2,220,644	43,355,941
Intersegment sales	152,628	88,848	–	801,947	1,043,423
	37,874,031	1,535,624	1,967,118	3,022,591	44,399,364
Reconciliation:					
Elimination of intersegment sales					(1,043,423)
Total revenue					43,355,941
Segment results	11,202,421	1,371,902	228,749	279,108	13,082,180
Reconciliation:					
Elimination of intersegment results					(523,530)
Interest income					2,541,856
Other investment income					207,017
Corporate and other unallocated expenses					(190,498)
Finance costs (other than interest on lease liabilities)					(2,263,336)
Profit before tax					12,853,689
Segment assets	322,236,641	47,245,064	12,759,946	5,775,204	388,016,855
Reconciliation:					
Elimination of intersegment assets					(149,698,182)
Corporate and other unallocated assets					96,562,735
Total assets					334,881,408
Segment liabilities	213,935,258	18,101,539	7,139,122	4,356,898	243,532,817
Reconciliation:					
Elimination of intersegment liabilities					(142,565,582)
Corporate and other unallocated liabilities					141,479,819
Total liabilities					242,447,054
Other segment information:					
Share of profits of joint ventures	721,561	–	–	829	722,390
Share of profits of associates	(132,653)	–	–	–	(132,653)
Depreciation and amortisation	109,303	40,881	372,878	39,217	562,279
Loss/(gain) on disposal of items of property, plant and equipment	173	(6,267)	6,053	90	49
Impairment losses recognised in the statement of profit or loss, net	–	3,222	252	3,068	6,542
Fair value gains on investment properties	–	454,695	–	–	454,695
Fair value gains on transfer from properties held for sale to investment properties	–	356,045	–	–	356,045
Investments in associates	7,597,657	–	–	–	7,597,657
Investments in joint ventures	11,480,429	–	–	30,956	11,511,385
Capital expenditure	213,047	706,185	198,436	135,144	1,252,812

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the year, there was no revenue from a single customer which accounted for 10% or more of the Group's revenue (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	58,592,533	41,909,165
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	132,758	6,959
Other lease payments, including fixed payments	1,328,587	1,439,817
	1,461,345	1,446,776
	60,053,878	43,355,941

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods or services				
Sale of completed properties	47,383,289	–	–	47,383,289
Land development	6,983,247	–	–	6,983,247
Hotel operations	–	1,257,838	–	1,257,838
Others	–	–	2,968,159	2,968,159
Total revenue from contracts with customers	54,366,536	1,257,838	2,968,159	58,592,533
Timing of revenue recognition				
Goods transferred at a point of time	54,366,536	–	–	54,366,536
Services transferred over time	–	1,257,838	2,968,159	4,225,997
Total revenue from contracts with customers	54,366,536	1,257,838	2,968,159	58,592,533

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) ***Disaggregated revenue information*** **(Continued)**

For the year ended 31 December 2019

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods or services				
Sale of completed properties	33,430,413	–	–	33,430,413
Land development	4,290,990	–	–	4,290,990
Hotel operations	–	1,967,118	–	1,967,118
Others	–	–	2,220,644	2,220,644
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165
Timing of revenue recognition				
Goods transferred at a point of time	37,721,403	–	–	37,721,403
Services transferred over time	–	1,967,118	2,220,644	4,187,762
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	**54,366,536**	**1,257,838**	**2,968,159**	**58,592,533**
Intersegment sales	–	–	**1,137,050**	**1,137,050**
	54,366,536	**1,257,838**	**4,105,209**	**59,729,583**
Intersegment adjustments and eliminations	–	–	**(1,137,050)**	**(1,137,050)**
Total revenue from contracts with customers	**54,366,536**	**1,257,838**	**2,968,159**	**58,592,533**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	37,721,403	1,967,118	2,220,644	41,909,165
Intersegment sales	152,628	–	801,947	954,575
	37,874,031	1,967,118	3,022,591	42,863,740
Intersegment adjustments and eliminations	(152,628)	–	(801,947)	(954,575)
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of completed properties	**28,255,425**	21,302,227
Hotel operations	**17,323**	81,883
Others	**26,883**	8,251
	28,299,631	21,392,361

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of completed properties

The performance obligation is satisfied upon delivery of the completed properties.

Land development

The performance obligation is satisfied when the land development is completed.

Hotel operations

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the services.

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

Design, construction and decoration services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Other income			
Interest income		3,223,777	2,541,856
Other investment income		556,424	207,017
Government grants*		99,103	58,050
Default penalty income		43,225	22,374
		3,922,529	2,829,297
Gains			
Fair value gains on investment properties	18	906,121	454,695
Fair value gains on transfers from properties held for sale to investment properties		–	356,045
Gain on bargain purchase	42	146,548	401,970
Gain on disposal of subsidiaries	44	1,543,156	1,018,026
Fair value gains on the equity interest previously held as investments in joint ventures or associates	42	1,307,456	346,240
Gain on disposal of equity investment designed at fair value through profit or loss		28,388	–
Foreign exchange gain, net	6	374,741	50,780
Gain on disposal of investments in joint ventures and associates		371,007	322,454
Others		98,739	356,197
		4,776,156	3,306,407
		8,698,685	6,135,704

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Cost of properties sold		**40,961,854**	25,140,050
Cost of land development		**3,772,784**	2,477,754
Cost of services provided		**3,204,876**	2,973,394
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**200,027**	216,152
Depreciation of property, plant and equipment	14	**462,969**	409,043
Depreciation of right-of-use assets	19(a)	**165,149**	139,829
Amortisation of intangible assets	20	**20,940**	13,407
Lease payments not included in the measurement of lease liabilities	19(c)	**32,646**	14,205
Auditor's remuneration		**7,825**	7,038
Employee benefit expense (including directors' and chief executive's remuneration (note (8)):			
Wages and salaries		**2,151,774**	2,161,925
Equity-settled share option expense	39	**87,786**	84,016
Pension scheme contributions (defined contribution schemes)		**79,724**	167,727
Less: Amount capitalised		**(16,332)**	(43,174)
Net pension scheme contributions*		**63,392**	124,553
		2,302,952	2,370,494
Foreign exchange differences, net	5	**(374,741)**	(50,780)
(Gain)/loss on disposal of items of property, plant and equipment**		**(517)**	49
Gain on disposal of intangible assets		**(307)**	–
Provision of impairment of trade receivables**	24	**5,420**	6,542
Impairment of financial assets included in prepayments, other receivables and other assets**		**3,134**	–
Impairment of properties under development, net**	15	**1,543,462**	–
Impairment of properties held for sale, net**	17	**1,515,492**	–
Impairment of amounts due from related parties, net**	27	**1,311,180**	–
Ineffectiveness and hedging cost of cash flow hedges		**467**	(1,441)

* At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

** These items are included in "Other expenses and losses, net" in the consolidated statement of profit or loss.

7. OTHER EXPENSES AND LOSSES, NET

An analysis of other expenses and losses, net is as follows:

	Notes	2020 RMB'000	2019 RMB'000
Impairment of properties under development, net	15	1,543,462	–
Impairment of properties held for sale, net	17	1,515,492	–
Impairment of amounts due from related parties, net	27	1,311,180	–
Others		11,178	6,916
		4,381,312	6,916

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Interest on bank and other loans, notes and bonds	6,419,880	6,348,167
Interest on an amount due to fellow subsidiaries (note 48(a))	258,831	116,745
Interest on an amount due to the immediate holding company (note 48(a))	168,779	278,928
Interest on an amount due to an intermediate holding company (note 48(a))	663,373	91,927
Interest on an amount due to the ultimate holding company (note 48(a))	882	389
Interest on an amount due to associates (note 48(a))	139,669	5,745
Interest on an amount due to joint ventures (note 48(a))	209,897	67,089
Interest on an amount due to the substantial shareholder (note 48(a))	18,595	46,487
Interest on lease liabilities (note 19(b))	40,907	7,430
Total interest expense	7,920,813	6,962,907
Less: Interest capitalised	(5,193,835)	(4,692,141)
	2,726,978	2,270,766

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Fees	**1,184**	1,215
Other emoluments:		
Salaries, allowances and benefits in kind	**9,741**	9,622
Bonuses*	**17,853**	28,438
Equity-settled share option expense	**3,606**	3,024
Pension scheme contributions	**1,385**	1,401
	32,585	42,485
	33,769	43,700

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

Mr. Su Xijia and Mr. Gao Shibin, are independent non-executive directors of the Company, and the fees paid to them during the year were RMB409,000 (2019: RMB405,000) and RMB409,000 (2019: RMB405,000), respectively.

Mr. Lau Hon Chuen, Ambrose retired as an independent non-executive director of the Company with effect from 10 June 2020, and the fees paid to him during the year were RMB182,000 (2019: RMB405,000).

Mr. Zhong Wei was appointed as an independent non-executive director of the Company with effect from 24 August 2020, and the fees paid to him during the year were RMB145,000 (2019:Nil).

Mr. Suen Man Tak was appointed as an independent non-executive director of the Company with effect from 27 November 2020, and the fees paid to him during the year were RMB39,000 (2019:Nil).

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

Executive directors

i. Mr. Li Congrui is the chief executive officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2019: Nil), salaries, allowances and benefits in kind of RMB3,377,000 (2019: RMB3,339,000), performance related bonuses of RMB6,484,000 (2019: RMB5,833,000), special bonuses of RMB0 (2019: RMB7,701,000), equity-settled share option expense of RMB1,202,000 (2019: RMB1,008,000), and pension scheme contributions of RMB507,000 (2019: RMB523,000).

ii. Mr. Jiang Nan is the chief financial officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2019: Nil), salaries, allowances and benefits in kind of RMB3,380,000 (2019: RMB3,336,000), performance related bonuses of RMB5,240,000 (2019: RMB4,258,000), special bonuses of RMB0 (2019: RMB2,695,000), equity-settled share option expense of RMB1,202,000 (2019: RMB1,008,000), and pension scheme contributions of RMB426,000 (2019: RMB437,000).

iii. Mr. Song Liuyi is the senior vice president of the Company. The remuneration paid to him during the year included fees of RMB0 (2019: Nil), salaries, allowances and benefits in kind of RMB2,984,000 (2019: RMB2,947,000), performance related bonuses of RMB6,129,000 (2019: RMB5,063,000), special bonuses of RMB0 (2019: RMB2,888,000), equity-settled share option expense of RMB1,202,000 (2019: RMB1,008,000), and pension scheme contributions of RMB452,000 (2019: RMB441,000).

Non-executive directors

i. Mr. Ning Gaoning is the chairman and non-executive director of the Company. There was no remuneration paid to him during the year (2019: Nil).

ii. Mr. Yang Lin and Mr. An Hongjun are non-executive directors of the Company. There were no remuneration paid to them during the year (2019: Nil).

iii. Mr. Cheng Yong and Mr. Wang Wei were appointed as non-executive directors of the Company with effect from 24 August 2020. There were no remuneration paid to them during the year (2019: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2019: three directors including the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration of the five highest paid employees of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**14,962**	14,132
Bonuses	**25,067**	39,637
Equity-settled share option expense	**5,591**	5,040
Pension scheme contributions	**2,125**	2,760
	47,745	61,569

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	**2019**
HK$7,000,001 to HK$7,500,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	1
HK$11,500,001 to HK$12,000,000	**1**	1
HK$12,000,001 to HK$12,500,000	**1**	–
HK$13,000,001 to HK$13,500,000	**1**	1
HK$14,000,001 to HK$14,500,000	**–**	1
HK$20,500,001 to HK$21,000,000	**–**	1
	5	5

In prior years, share options were granted to three non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 39 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Current			
PRC corporate income tax			
Charge for the year		**2,724,053**	2,790,967
Overprovision in prior years		**(6,380)**	(4,225)
PRC land appreciation tax	35	**913,728**	1,855,576
		3,631,401	4,642,318
Deferred	36	**(182,345)**	(447,288)
Total tax charge for the year		**3,449,056**	4,195,030

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2019: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

11. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge for the year at the effective tax rates is as follows:

2020

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax	30,743	9,613,434	9,644,177
Tax at the statutory income tax rate	5,073	2,403,359	2,408,432
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	(54,108)	–	(54,108)
Adjustment in respect of current tax of previous periods	–	(6,380)	(6,380)
Profits and losses attributable to joint ventures and associates	–	(267,349)	(267,349)
Income not subject to tax	(119,716)	(519,434)	(639,150)
Expenses not deductible for tax	114,643	933,019	1,047,662
Tax losses utilised from previous periods	–	(113,940)	(113,940)
Tax losses not recognised	–	388,593	388,593
LAT (note 35)	–	913,728	913,728
Tax effect of LAT	–	(228,432)	(228,432)
Tax charge for the year	(54,108)	3,503,164	3,449,056

11. INCOME TAX (Continued)

2019

	Hong Kong RMB'000 (Restated)	Mainland China RMB'000 (Restated)	Total RMB'000 (Restated)
Profit before tax	324,989	12,528,700	12,853,689
Tax at the statutory income tax rate	53,623	3,132,175	3,185,798
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	45,179	–	45,179
Adjustment in respect of current tax of previous periods	–	(4,225)	(4,225)
Profits and losses attributable to joint ventures and associates	–	(147,434)	(147,434)
Income not subject to tax	(82,638)	(345,339)	(427,977)
Expenses not deductible for tax	29,015	260,623	289,638
Tax losses utilised from previous periods	–	(334,253)	(334,253)
Tax losses not recognised	–	196,622	196,622
LAT (note 35)	–	1,855,576	1,855,576
Tax effect of LAT	–	(463,894)	(463,894)
Tax charge for the year	45,179	4,149,851	4,195,030

The share of tax attributable to joint ventures and associates amounting to RMB249,397,000 (2019: share of tax credit of RMB245,251,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

12. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim – HK12.0 cents (2019 interim dividend: HK12.0 cents) per ordinary share	**1,364,184**	1,273,730
Proposed final – HK14.0 cents (2019: HK11.0 cents) per ordinary share	**1,494,751**	1,168,031

The actual amount of the 2019 final dividend paid during the year ended 31 December 2020 was RMB1,181,924,000.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 12,179,840,073 (2019: 11,650,154,307) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of the Group's share options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2020 RMB'000	2019 RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,880,986**	6,481,751

	Number of shares	
	2020	**2019**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**12,179,840,073**	11,650,154,307
Effect of dilution – weighted average number of ordinary shares:		
Share options	**77,911,299**	52,775,198
	12,257,751,372	11,702,929,505

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
At 31 December 2019:							
As originally stated	6,756,691	898	532,162	1,032,751	11,712	2,576,710	10,910,924
Restatement (note 43)	–	–	–	344	–	–	344
As restated	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268
At 31 December 2019 and at 1 January 2020:							
Cost	8,752,464	20,903	675,623	2,293,568	58,389	2,576,710	14,377,657
Accumulated depreciation and impairment	(1,995,773)	(20,005)	(143,461)	(1,260,473)	(46,677)	–	(3,466,389)
Net carrying amount	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268
At 1 January 2020, net of accumulated depreciation and impairment	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268
Additions	50,317	1,888	192,307	60,192	4,274	561,395	870,373
Disposals	(59)	(948)	–	(2,267)	(750)	(55,867)	(59,891)
Depreciation provided during the year (note 6)	(270,137)	(327)	(42,432)	(144,838)	(5,235)	–	(462,969)
Acquisition of subsidiaries (note 42)	–	–	–	2,858	231	–	3,089
Disposal of subsidiaries (note 44)	–	–	–	(4,001)	(346)	–	(4,347)
Transfer from investment properties (note 18)	–	–	49,539	–	–	–	49,539
Transfers	3,810	375	–	32,443	–	(36,628)	–
Exchange realignment	–	–	–	(7)	–	–	(7)
At 31 December 2020, net of accumulated depreciation and impairment	6,540,622	1,886	731,576	977,475	9,886	3,045,610	11,307,055
At 31 December 2020:							
Cost	8,806,191	22,150	917,470	2,372,929	59,334	3,045,610	15,223,684
Accumulated depreciation and impairment	(2,265,569)	(20,264)	(185,894)	(1,395,454)	(49,448)	–	(3,916,629)
Net carrying amount	6,540,622	1,886	731,576	977,475	9,886	3,045,610	11,307,055

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
As originally stated	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
Restatement (note 43)	–	–	–	405	–	–	405
As restated	7,042,178	18	467,096	867,629	14,212	2,338,375	10,729,508
At 1 January 2019:							
Cost	8,760,057	19,569	570,554	2,046,559	59,454	2,338,375	13,794,568
Accumulated depreciation and impairment	(1,717,879)	(19,551)	(103,458)	(1,178,930)	(45,242)	–	(3,065,060)
Net carrying amount	7,042,178	18	467,096	867,629	14,212	2,338,375	10,729,508
At 1 January 2019, net of accumulated depreciation and impairment	7,042,178	18	467,096	867,629	14,212	2,338,375	10,729,508
Additions	17,605	1,364	265	143,983	1,249	223,680	388,146
Disposals	(4,231)	(1)	(93)	(1,533)	(180)	(26,829)	(32,867)
Depreciation provided during the year (note 6)	(217,610)	(483)	(40,440)	(146,950)	(3,560)	–	(409,043)
Acquisition of subsidiaries (note 42)	–	–	–	80,719	133	73,802	154,654
Disposal of subsidiaries (note 44)	–	–	–	(892)	(142)	–	(1,034)
Gain on properties revaluation in relation to the transfer to investment properties	67,983	–	1,344	–	–	–	69,327
Transfer from properties under development (note 15)	–	–	111,330	–	–	–	111,330
Transfer to investment properties (note 18)	(91,409)	–	(7,340)	(6)	–	–	(98,755)
Transfers	(57,825)	–	–	90,143	–	(32,318)	–
Exchange realignment	–	–	–	2	–	–	2
At 31 December 2019, net of accumulated depreciation and impairment	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268
At 31 December 2019:							
Cost	8,752,464	20,903	675,623	2,293,568	58,389	2,576,710	14,377,657
Accumulated depreciation and impairment	(1,995,773)	(20,005)	(143,461)	(1,260,473)	(46,677)	–	(3,466,389)
Net carrying amount	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2020, certain of the Group's hotel properties and buildings, construction in progress included in property, plant and equipment with an aggregate net carrying amount of approximately RMB219,982,000 (2019: RMB297,415,000) were pledged to secure bank loans granted to the Group (note 34).

15. PROPERTIES UNDER DEVELOPMENT

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Carrying amount at 1 January		**131,511,819**	102,023,628
Additions		**63,078,730**	48,426,142
Transfer to properties held for sale		**(51,502,410)**	(20,727,217)
Transfer to property, plant and equipment	14	**–**	(111,330)
Acquisition of subsidiaries	42	**24,817,373**	9,996,192
Disposal of subsidiaries	44	**(27,533,056)**	(8,095,596)
Impairment	7	**(1,543,462)**	–
Carrying amount at 31 December		**138,828,994**	131,511,819
Current portion		**(79,473,565)**	(62,241,273)
Non-current portion		**59,355,429**	69,270,546

At 31 December 2020, certain of the Group's properties included in properties under development with a net carrying amount of approximately RMB75,307,751,000 (2019: RMB52,622,566,000) were pledged to secure bank loans granted to the Group (note 34).

16. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**12,695,815**	12,671,193
Additions	**2,988,112**	2,729,635
Recognised during the year	**(3,760,018)**	(2,705,013)
Carrying amount at 31 December	**11,923,909**	12,695,815
Current portion	**(1,429,269)**	(1,990,602)
Non-current portion	**10,494,640**	10,705,213

17. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at the lower of cost and net realisable value. The Group's properties held for sale are situated in Mainland China.

For the year ended 31 December 2020, the Group recognised impairment losses of RMB1,515,492,000 (2019: Nil) on properties held for sale (note 7). At 31 December 2020, the provision for impairment of properties held for sale amounted to RMB1,515,492,000 (2019: Nil).

At 31 December 2020, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately RMB132,501,000 (2019: RMB132,501,000) were pledged to secure bank loans granted to the Group (note 34).

18. INVESTMENT PROPERTIES

	Notes	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January		**31,260,683**	29,205,862
Additions		**328,198**	690,726
Transfer from properties held for sale		–	808,710
Net gain from a fair value adjustment	5	**906,121**	454,695
Transfer from property, plant and equipment	14	–	98,755
Transfer from right-of-use assets	19(a)	**869,941**	1,935
Transfer to property, plant and equipment	14	**(49,539)**	–
Carrying amount at 31 December		**33,315,404**	31,260,683

The Group's investment properties consist of 19 commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. Except for two investment properties which were valued by the Group's management, the Group's investment properties were revalued individually on 31 December 2020 based on valuations performed by Cushman & Wakefield Limited (formerly known as DTZ Debenham Tie Leung Limited), Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

As at 31 December 2020, three of the Group's investment properties were right-of-use assets with total carrying amount of RMB937,917,000 relating to buildings which were leased out under one or more operating leases.

These investment properties are leased under operating leases, further summary details of which are included in note 19 to the financial statements.

At 31 December 2020, certain of the Group's investment properties with a carrying value of RMB11,317,930,000 (2019: RMB12,902,640,000) were pledged to secure bank loans granted to the Group (note 34).

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2020 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	**41,900**	**33,273,504**	**33,315,404**

	Fair value measurement as at 31 December 2019 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	42,100	31,218,583	31,260,683

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2019	29,158,062
Additions	690,726
Transfer from properties held for sale	808,710
Net gain from a fair value adjustment	460,395
Transfer from property, plant and equipment	98,755
Transfer from right-of-use assets	1,935
Carrying amount at 31 December 2019 and 1 January 2020	31,218,583
Additions	328,198
Net gain from a fair value adjustment	906,321
Transfer to property, plant and equipment	(49,539)
Transfer from right-of-use assets	869,941
Carrying amount at 31 December 2020	33,273,504

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2020	2019
Property 1 – Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield	**5.25%**	5.50%
		Reversionary yield	**5.75%**	6.00%
		Market rent (per square metre ("sqm") per annum ("p.a."))	**RMB5,789 – RMB9,815**	RMB5,347 – RMB9,726
Property 2 – Sinochem Tower	Term and reversion method	Term yield	**3.00% – 5.50%**	3.00% – 5.50%
		Reversionary yield	**3.50% – 6.00%**	3.50% – 6.00%
		Market rent (per sqm p.a.)	**RMB3,269 – RMB9,600**	RMB3,166 – RMB9,600
Property 3 – Jin Mao Tower	Term and reversion method	Term yield	**3.50% – 4.00%**	3.50% – 4.50%
		Reversionary yield	**4.00% – 4.50%**	4.00% – 5.00%
		Market rent (per sqm p.a.)	**RMB4,441 – RMB18,000**	RMB4,619 – RMB12,000
Property 4 – Zhuhai Every Garden	Term and reversion method	Term yield	**5.00% – 6.25%**	5.00% – 6.25%
		Reversionary yield	**5.50% – 6.50%**	5.50% – 6.50%
		Market rent (per sqm p.a.)	**RMB514 – RMB778**	RMB518 – RMB720
Property 5 – Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield	**3.50% – 4.50%**	3.50% – 4.50%
		Reversionary yield	**4.00% – 5.00%**	4.00% – 5.00%
		Market rent (per sqm p.a.)	**RMB2,160 – RMB7,560**	RMB2,160 – RMB7,560
Property 6 – Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.)	**RMB2,700**	RMB1,018
		Rental growth p.a.	**3.00%**	0.00% – 3.00% (3.00%)
		Long term vacancy rate	**8.22%**	8.22%
		Discount rate	**6.00%**	6.00%
Property 7 – Lijiang J•LIFE	Term and reversion method	Term yield	**5.00%**	5.50%
		Reversionary yield	**5.50%**	5.50%
		Market rent (per sqm p.a.)	**RMB1,072**	RMB1,044
Property 8 – Shanghai International Shipping Service Center	Market comparable method	Price per sqm	**RMB57,525 – RMB90,500**	RMB57,194 – RMB90,275

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2020	2019
Property 9 – Qingdao Jinmao Harbour Shopping Center	Term and reversion method	Term yield	NA	4.00%
		Reversionary yield	NA	4.50%
		Market rent (per sqm p.a.)	NA	RMB1,644
	Discounted cash flow method and market comparable method	Estimated rental value (per sqm p.a.)	RMB828	NA
		Rental growth p.a.	5.00% – 7.00%	NA
		Long term vacancy rate	5.00%	NA
		Discount rate	5.50%	NA
		Price per sqm	RMB15,096	NA
Property 10 – Ningbo Jiayuan Plaza	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	RMB696 – RMB5,160	RMB684 – RMB5,040
Property 11 – Ningbo Huijin Building	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	RMB893 – RMB5,040	RMB875 – RMB5,040
Property 12 – Changsha Jinmao Mall of Splendor	Discounted cash flow method and market comparable method	Estimated rental value (per sqm p.a.)	RMB650	RMB1,201
		Rental growth p.a.	3.50% – 5.00%	3.00%
		Long term vacancy rate	5.00%	5.00%
		Discount rate	6.00%	6.76%
		Price per sqm	RMB14,002	NA
Property 13 – Beijing Chaoyang Jinmao Centre Project	Residual method	Developer's profit rate	5.00%	5.00%
	Term and reversion method	Reversionary yield	5.00% – 5.50%	5.00% – 5.50%
		Market rent (per sqm p.a.)	RMB2,280 – RMB3,600	RMB2,280 – RMB3,600
Property 14 – Nanjing Southern Hexi Yuzui Land Parcel No. G97	Residual method	Developer's profit rate	5.00%	5.00%
	Term and reversion method	Reversionary yield	3.00% – 6.00%	3.00% – 6.00%
		Market rent (per sqm p.a.)	RMB1,680 – RMB2,544	RMB1,680 – RMB2,544
Property 15 – Hangzhou Shangtang Project	Residual method	Developer's profit rate	5.00%	5.00%
	Term and reversion method	Reversionary yield	2.00%	2.00%
		Market rent (per sqm p.a.)	RMB1,392	RMB1,392

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2020	2019
Property 16 – Wangfujing Quadrangle Courtyard	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	RMB6,300	RMB6,180
Property 17 – Jinmao Boill e-Wisdom Valley Executive Apartment	Term and reversion method	Term yield	NA	4.84%
		Reversionary yield	NA	4.84%
		Market rent (per sqm p.a.)	NA	RMB665
	Discounted cash flow method	Estimated rental value (per sqm p.a.)	RMB1,090	NA
		Rental growth p.a.	1.00%-3.00%	NA
		Long term vacancy rate	10.00%	NA
		Discount rate	4.84%	NA
Property 18 – Jinmao Boill e-Wisdom Valley Youth Apartment	Discounted cash flow method	Estimated rental value (per sqm p.a.)	RMB1,023	NA
		Rental growth p.a.	3.00%	NA
		Long term vacancy rate	5.00%	NA
		Discount rate	4.04%	NA
Property 19 – Beijing Royal International Mansion	Term and reversion method	Developer's profit rate	5.00% – 5.50%	NA
		Reversionary yield	5.50% – 6.00%	NA
		Market rent (per sqm p.a.)	RMB1,668 – RMB2,484	NA

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase (decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent would result in a significant increase (decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method, a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis".

The market comparable method is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase (decrease) in the price per square metre would result in a significant increase (decrease) in the fair value of the investment properties.

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to the Group by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by the relevant parties will also be considered.

A significant increase (decrease) in the developer's profit rate would result in a significant decrease (increase) in the fair value of the investment properties.

19. LEASES

The Group as a lessee

The Group has lease contracts mainly for properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties and staff quarters generally have lease terms between 2 and 15 years.

(a) ***Right-of-use assets***

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Office properties and staff quarters RMB'000	Total RMB'000
As at 1 January 2019	1,511,932	107,030	1,618,962
Additions	–	116,418	116,418
Additions as a result of acquisition of subsidiaries (note 42)	10,521	10,169	20,690
Transfer to investment properties (note 18)	(1,935)	–	(1,935)
Depreciation charge (note 6)	(54,567)	(85,262)	(139,829)
As at 31 December 2019 and 1 January 2020	1,465,951	148,355	1,614,306
Additions	–	1,049,145	1,049,145
Additions as a result of acquisition of subsidiaries (note 42)	–	6,831	6,831
Transfer to investment properties (note 18)	–	(869,941)	(869,941)
Depreciation charge (note 6)	(54,612)	(110,537)	(165,149)
As at 31 December 2020	1,411,339	223,853	1,635,192

19. LEASES (Continued)

The Group as a lessee (Continued)

(a) *Right-of-use assets* (Continued)

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of RMB142,871,000 were pledged to secure bank loans granted to the Group (2020: Nil) (note 34).

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**195,609**	96,004
New leases	**1,037,659**	169,143
Additions as a result of acquisition of subsidiaries (note 42)	**4,814**	8,856
Accretion of interest recognised during the year (note 8)	**40,907**	7,430
Payments	**(179,414)**	(85,824)
Carrying amount at 31 December	**1,099,575**	195,609
Analysed into		
Current portion	**96,548**	75,244
Non-current portion	**1,003,027**	120,365

The maturity analysis of lease liabilities is disclosed in note 51 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain office properties and staff quarters during the year.

19. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Interest on lease liabilities	40,907	7,430
Depreciation charge of right-of-use assets	165,149	139,829
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December (included in cost of sales)	6,531	6,666
Expense relating to leases of low-value assets (included in administrative expenses)	26,115	7,539
Total amount recognised in profit or loss	238,702	161,464

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 45(c) and 47, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 18) consisting of 19 commercial properties in Mainland China under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB1,461,345,000 (2019: RMB1,446,776,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	1,238,413	1,330,942
After one year but within two years	973,808	930,780
After two years but within three years	365,455	396,793
After three years but within four years	212,048	176,569
After four years but within five years	110,358	133,390
After five years	323,568	222,615
	3,223,650	3,191,089

20. INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2020	
At 1 January 2020	
Cost	**150,611**
Accumulated amortisation and impairment	**(100,588)**
Net carrying amount	**50,023**
Cost at 1 January 2020, net of accumulated amortisation and impairment	**50,023**
Additions	**77,440**
Acquisition of subsidiaries (note 42)	**1,833**
Disposal of subsidiaries (note 44)	**(664)**
Disposals	**(220)**
Amortisation provided during the year (note 6)	**(20,940)**
At 31 December 2020	**107,472**
At 31 December 2020	
Cost	**195,336**
Accumulated amortisation and impairment	**(87,864)**
Net carrying amount	**107,472**

	Computer software RMB'000
31 December 2019	
At 1 January 2019:	
Cost	129,244
Accumulated amortisation and impairment	(84,429)
Net carrying amount	44,815
Cost at 1 January 2019, net of accumulated amortisation and impairment	44,815
Additions	18,743
Acquisition of subsidiaries (note 42)	543
Disposals	(671)
Amortisation provided during the year (note 6)	(13,407)
At 31 December 2019	50,023
At 31 December 2019:	
Cost	150,611
Accumulated amortisation and impairment	(100,588)
Net carrying amount	50,023

21. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES

Investments in joint ventures

	2020 RMB'000	2019 RMB'000 (Restated)
Share of net assets	**16,319,443**	11,511,385

The amounts due from and to joint ventures are disclosed in note 27 to the financial statements.

All of the Group's investments in joint ventures are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain joint ventures because the share of loss of the joint ventures exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint ventures for the current year and cumulatively were RMB424,992,000 (2019: RMB356,132,000) and RMB904,219,000 (2019: RMB479,227,000), respectively.

The joint ventures of the Group are considered not individually material and the following table illustrates the aggregate financial information of the joint ventures:

	2020 RMB'000	2019 RMB'000 (Restated)
Share of the joint ventures' profit for the year	**371,098**	722,390
Share of the joint ventures' total comprehensive income for the year	**371,098**	722,390
Aggregate carrying amount of the Group's investments in the joint ventures	**16,319,443**	11,511,385

Joint operations

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Jin Mao, an indirect wholly-owned subsidiary of the Company was established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Jin Mao agreed to make a capital injection of RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, to subscribe for its new registered capital.

21. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

On 28 July 2011, Qingdao Jin Mao completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	200	266
Total non-current assets	200	266
Current assets		
Properties held for sale	332,926	382,146
Properties under development	151,671	94,284
Prepayments, other receivables and other assets	18,062	13,990
Prepaid tax	43,439	23,791
Restricted bank balances	65,485	114,482
Cash and cash equivalents	8,391	28,065
Total current assets	619,974	656,758
Current liabilities		
Trade and bills payables	134,817	310,728
Other payables and accruals	314,399	201,080
Total current liabilities	449,216	511,808
Net current assets	170,758	144,950
Total assets less current liabilities	170,958	145,216
Non-current liabilities		
Deferred tax liabilities	–	1
Net assets	170,958	145,215

21. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

	2020 RMB'000	2019 RMB'000
Revenue	65,501	29,045
Cost of sales	6,721	(23,107)
Gross profit	72,222	5,938
Other income and gains	759	487
Selling and marketing expenses	(2,131)	(1,128)
Administrative expenses	(2,912)	(4,490)
Profit before tax	67,938	807
Income tax	(38,498)	9,963
Profit for the year	29,440	10,770

22. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000 (Restated)
Share of net assets	11,105,070	7,597,657

The amounts due from and to associates are disclosed in note 27 to the financial statements.

All of the Group's investments in associates are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were RMB657,708,000 (2019: RMB79,154,000) and RMB830,248,000 (2019: RMB172,540,000), respectively.

The associates of the Group are considered not individually material and the following table illustrates the aggregate financial information of the associates:

	2020 RMB'000	2019 RMB'000 (Restated)
Share of the associates' profit/(loss) for the year	698,297	(132,653)
Share of the associates' total comprehensive income/(loss) for the year	698,297	(132,653)
Aggregate carrying amount of the Group's investments in the associates	11,105,070	7,597,657

23. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	158,777	157,704
Consumables and tools	3,093	3,117
Hotel merchandise	11,351	10,547
Trading stock	2,671	2,806
	175,892	174,174

24. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	468,391	1,462,059
Impairment	(21,615)	(16,195)
	446,776	1,445,864

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group had pledged trade receivables of approximately RMB25,514,000 to secure a bank loan granted to the Group (note 34) as at 31 December 2019.

24. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 month	139,498	76,258
1 to 3 months	95,817	1,182,884
4 to 6 months	67,956	52,428
6 months to 1 year	48,027	68,641
Over 1 year	95,478	65,653
	446,776	1,445,864

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	16,195	9,653
Impairment losses, net (note 6)	5,420	6,542
At 31 December	21,615	16,195

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

24. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Current	Past due Less than 1 month	Past due 1 to 3 months	Past due Over 3 months	Total
Expected credit loss rate	**0.02%**	**1.19%**	**1.40%**	**27.06%**	**4.61%**
Gross carrying amount (RMB'000)	**378,977**	**3,964**	**6,347**	**79,103**	**468,391**
Expected credit losses (RMB'000)	**75**	**47**	**89**	**21,404**	**21,615**

As at 31 December 2019

	Current	Past due Less than 1 month	Past due 1 to 3 months	Past due Over 3 months	Total
Expected credit loss rate	0.02%	1.22%	7.33%	31.70%	1.11%
Gross carrying amount (RMB'000)	1,409,708	1,561	1,133	49,657	1,462,059
Expected credit losses (RMB'000)	351	19	83	15,742	16,195

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000 (Restated)
Prepayments	**15,603,587**	8,529,350
Deposits	**4,132,475**	5,712,809
Other receivables	**6,046,558**	9,652,399
Due from non-controlling shareholders	**11,960,338**	6,269,918
Others	**332,574**	87,764
	38,075,532	30,252,240

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

The current balances of amounts due from non-controlling shareholders are unsecured, interest-free and repayable within one year, except for the amounts of RMB8,945,043,000, in aggregate, which bear interest at rates ranging from 0.35% to 4.75% per annum (2019: RMB4,158,874,000, in aggregate, which bear interest at rates ranging from 0.35% to 4.35% per annum).

Management expects the contracts costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts as contract costs and amortised when the related revenue are recognised.

As at 31 December 2020, the non-current balance included a pledged deposit of RMB246,000,000 (2019: RMB246,000,000) made to a local government for performance guarantee, which is not repayable within one year.

26. CONTRACT ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Contract assets arising from design, construction and decoration services	**789,328**	267,009	154,500
	789,328	267,009	154,500

Contract assets are initially recognised for other revenue earned from the design, construction and decoration services as the receipt of consideration is conditional on successful completion of services, respectively. Included in contract assets for design, construction and decoration services are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2020 and 2019 was the result of the increase in the ongoing provision of design, construction and decoration services at the end of each of the years.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 is within one year.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2020	2019
Expected credit loss rate	**0%**	0%
Gross carrying amount (RMB'000)	**789,328**	267,009
Expected credit losses (RMB'000)	**–**	–

27. BALANCES WITH RELATED PARTIES

An analysis of the amounts due from related parties is as follows:

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Current:			
Due from related parties:			
The ultimate holding company		**283**	280
An intermediate holding company		**360**	–
The immediate holding company		**1,308**	1,392
Fellow subsidiaries		**134,982**	57,904
Associates	(i)	**7,887,305**	13,161,106
Joint ventures	(ii)	**20,127,331**	23,608,363
The substantial shareholder	(iii)	**1,305,290**	1,435,928
Impairment allowance	7	**(1,311,180)**	–
		28,145,679	38,264,973
Non-current:			
Due from related parties:			
Fellow subsidiaries		**–**	64,398
Associates	(iv)	**1,526,881**	1,265,515
Joint ventures	(v)	**12,013,207**	6,927,839
The substantial shareholder	(vi)	**873,704**	–
		14,413,792	8,257,752

27. BALANCES WITH RELATED PARTIES (Continued)

At each reporting date, an impairment analysis is performed using the general approach to recognise the ECLs on the amounts due from the related parties. For those associates and joint ventures undertaking property development projects, if applicable, the loss allowance is measured at an amount equal to the lifetime ECL which would be calculated by taking into account the impairment losses of the properties under development and properties held for sale held by the associates and joint ventures. The ECLs reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2020, the loss allowance was assessed and recognised at an amount of RMB1,311,180,000 (2019: Nil).

The amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

(i) The current balances of amounts due from associates as at 31 December 2020 include the amounts of RMB2,840,919,000, in aggregate, which bear interest at rates ranging from 4.35% to 10.00% per annum (2019: RMB6,446,393,000, in aggregate, which bear interest at rates ranging from 4.35% to 10.00% per annum).

(ii) The current balances of amounts due from joint ventures as at 31 December 2020 include the amounts of RMB9,109,020,000, in aggregate, which bear interest at rates ranging from 2.18% to 13.88% per annum (2019: RMB11,651,801,000, in aggregate, which bear interest at rates ranging from 2.00% to 10.00% per annum).

(iii) The current balances of amounts due from the substantial shareholder as at 31 December 2020 include the amounts of RMB1,014,548,000, in aggregate, which bear interest at a rate of 2.18% per annum (2019: RMB1,435,928,000, in aggregate, which bear interest at rates ranging from 2.175% to 2.75% per annum).

(iv) The non-current balances of amounts due from associates as at 31 December 2020 include the amounts of RMB1,311,278,000, in aggregate, which bear interest at rates ranging from 2.42% to 12.00% per annum (2019: RMB1,265,515,000, in aggregate, which bear interest at a rate of 8.00% per annum).

(v) The non-current balances of amounts due from joint ventures as at 31 December 2020 include the amounts of RMB11,510,036,000, in aggregate, which bear interest at rates ranging from 1.93% to 12.00% per annum (2019: RMB6,927,839,000, which bears interest at a rate of 8.00% per annum).

(vi) The non-current balances of amounts due from the substantial shareholder as at 31 December 2020 include an amount of RMB844,192,000, which bears interest at a rate of 2.75% per annum (2019: Nil).

27. BALANCES WITH RELATED PARTIES (Continued)

An analysis of the amounts due to related parties is as follows:

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Current:			
Due to related parties:			
The ultimate holding company		**2,170**	61,347
An intermediate holding company		**24,708**	6,901,926
The immediate holding company		**9,291,416**	10,615,072
Fellow subsidiaries		**7,882,360**	2,040,945
Associates	(i)	**8,033,323**	4,874,312
Joint ventures	(ii)	**12,158,468**	7,306,513
An associate of the Group's ultimate holding company		**2,671**	2,678
The substantial shareholder		**740,867**	100,652
		38,135,983	31,903,445
Non-current:			
Due to related parties:			
An intermediate holding company	(iii)	**9,818,013**	–
Associates	(iv)	**1,135,937**	–
Joint venture	(v)	**100,000**	–
		11,053,950	–

The amounts due to related parties are unsecured, interest-free and are repayable on demand, except for the following:

(i) The current balances of amounts due to associates as at 31 December 2020 include the amounts of RMB1,415,406,000, in aggregate, which bear interest at rates ranging from 3.05% to 4.75% per annum (2019: Nil).

(ii) The current balances of amounts due to joint ventures as at 31 December 2020 include an amount of RMB690,000,000, which bears interest at a rate of 4.75% per annum (2019: RMB1,012,434,000, which bears interest at a rate of 8.69% per annum).

(iii) The non-current balances of amounts due to an intermediate holding company as at 31 December 2020 include the amounts of RMB9,300,000,000, in aggregate, which bear interest at rates ranging from 4.20% to 4.35% per annum and are repayable in 2022 (2019: Nil).

27. BALANCES WITH RELATED PARTIES (Continued)

An analysis of the amounts due to related parties is as follows (Continued):

(iv) The non-current balances of amounts due to associates as at 31 December 2020 include the amounts of RMB1,115,500,000, in aggregate, which bear interest at rates ranging from 2.38% to 4.28% per annum and are repayable in 2023 (2019: Nil).

(v) The non-current balances of amounts due to a joint venture as at 31 December 2020 include an amount of RMB100,000,000, which bears interest at a rate of 2.00% per annum and is repayable in 2022 (2019: Nil).

28. OTHER FINANCIAL ASSETS

	2020 RMB'000	2019 RMB'000
Non-current balances		
Unlisted equity investments, at fair value	50,000	230,000
Other unlisted investments, at fair value	96,669	95,274
	146,669	325,274
Current balances		
Other unlisted investments, at fair value	501,047	1,077
	501,047	1,077
	647,716	326,351

The above equity investments were classified as financial assets at fair value through profit or loss.

The above other unlisted investments were wealth management products issued by banks in Mainland China.

29. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES AND DEPOSITS

	2020 RMB'000	2019 RMB'000 (Restated)
Cash and bank balances	**40,052,376**	17,808,083
Time deposits	**12,025,378**	10,948,456
	52,077,754	28,756,539
Less:		
Restricted bank balances	**(8,622,174)**	(7,510,751)
Long-term time deposit	**–**	(3,300,000)
Cash and cash equivalents	**43,455,580**	17,945,788

At 31 December 2020, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB38,370,842,000 (2019: RMB20,458,337,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of within one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the Group's cash and cash equivalents are deposits of RMB6,611,320,000 (2019: RMB3,164,011,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.35% to 1.725% per annum (2019: 0.35% to 1.50%). The Group's long-term time deposit of RMB3,300,000,000 as at 31 December 2019 was placed with Sinochem Finance and had a term of 2 years with a fixed rate of 3.15% per annum. Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 48(a) to the financial statements.

30. DUE FROM NON-CONTROLLING SHAREHOLDERS

The non-current balances of amounts due from non-controlling shareholders are unsecured, bear interest at rates ranging from 0.35% to 4.75% (2019: 2.18% to 4.75%) per annum and are not repayable within one year.

31. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Within 1 year or on demand	**20,555,439**	18,426,714
Over 1 year	**1,351,409**	660,225
	21,906,848	19,086,939

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

32. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Other payables	(a)	**16,920,670**	11,685,308
Receipts in advance		**128,597**	111,303
Contract liabilities	(b)	**81,493,761**	64,873,929
Accruals		**175,909**	234,730
Due to non-controlling shareholders	(c)	**4,902,565**	4,851,234
Dividend payable to non-controlling shareholders		**250**	250
Deferred revenue		**1,180,365**	1,034,119
		104,802,117	82,790,873

Notes:

(a) Other payables are non-interest-bearing with an average term of not more than one year.

(b) Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)	1 January 2019 RMB'000 (Restated)
Short-term advances received from customers:			
Sale of properties	**81,113,070**	64,548,683	47,023,110
Land development	**23,586**	–	–
Hotel operations	**80,425**	96,967	85,241
Others	**276,680**	228,279	98,126
Total contract liabilities	**81,493,761**	64,873,929	47,206,477

Contract liabilities include short-term advances received to deliver completed properties and land development assets, render hotel operations, design and decoration services and management services. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in short-term advances received from customers in relation to the sales of properties at the end of the years.

(c) The amounts due to non-controlling shareholders as at 31 December 2020 are unsecured, interest-free and are repayable on demand, except for the amounts of RMB2,861,677,000, in aggregate, which bear interest at rates ranging from 4.35% to 12.00% per annum (2019: RMB3,326,892,000, in aggregate, which bear interest at rates ranging from 3.43% to 10.00% per annum).

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 Liabilities RMB'000	2019 Liabilities RMB'000
Interest rate swaps	**95,792**	34,991
Cross currency interest rate swaps	–	17,880
Foreign currency forward contract	–	253
Carrying amount at 31 December	**95,792**	53,124
Current portion	**(10,403)**	(18,133)
Non-current portion	**85,389**	34,991

Derivative financial instruments of the Group were conducted with creditworthy banks.

Cash flow hedge – Interest rate risk and foreign currency risk
At 31 December 2020, the Group had interest rate swap agreements in place with a notional amount of HK$1,920,000,000 whereby they pay interest at fixed rates ranging from of 3.81% to 4.45% and receive interest at variable rates equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.45% to 1.65% on the notional amount. The swaps are being used to hedge the interest rate exposure of a floating rate unsecured bank loans with an aggregate face value of HK$1,920,000,000.

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with notional amounts of US$250,000,000 and HK$1,960,350,000 whereby they pay interest at a fixed rate of 3.45% and pay HK$1,960,350,000 on the maturity date, and receive interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.1% and receive US$250,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with a face value of US$250,000,000.

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with notional amounts of JPY2,000,000,000 and HK$145,137,881 whereby they pay interest at a variable rate equal to LIBOR plus 1.62% and pay HK$145,137,881 on the maturity date, and receive interest at a variable rate equal to LIBOR plus 1% and receive JPY2,000,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with a face value of JPY2,000,000,000.

At 31 December 2019, the Group had a foreign currency forward contract in place with notional amounts of US$94,380,000 and HK$735,503,340 whereby they pay HK$735,503,340 on the maturity date, and receive US$94,380,000 on the maturity date. The foreign currency forward contract is being used to hedge the foreign currency risk exposure to the unsecured bank loan with a face value of US$94,380,000.

33. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

There is an economic relationship between the hedged items and the hedging instruments as the terms of the swaps and foreign currency forward contracts match the terms of the variable rate foreign currency denominated bank loans (i.e., notional amount, maturity and payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the swaps and foreign currency forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted payments and the hedging instruments

- Different interest rate curves applied to discount the hedged items and hedging instruments

- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items

- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000 (Restated)
Current						
Bank loans, secured	–	–	–	4.13-4.99	2020	1,308,550
Bank loans, unsecured	2.15-4.00	2021	8,012,672	1.62-5.69	2020	5,624,278
Other loans, unsecured	4.37	2021	690,000	–	–	–
Current portion of long term bank loans, secured	4.28-5.39	2021	2,049,150	4.15-5.61	2020	1,148,500
Current portion of long term bank loans, unsecured	4.75-5.28	2021	6,575,056	3.48-5.46	2020	5,870,461
Current portion of long term other loans, unsecured	4.37-7.00	2021	3,572,816	4.75-7.07	2020	7,609,408
Current portion of long term notes, unsecured	4.99-6.75	2021	6,871,735	3.55-4.78	2020	5,430,238
			27,771,429			26,991,435
Non-current						
Bank loans, secured	4.15-5.61	2022–2027	6,619,088	4.28-6.65	2021-2030	11,591,826
Bank loans, unsecured	1.52-5.70	2022–2031	16,015,210	2.86-5.70	2021-2029	14,658,927
Other loans, unsecured	5.50-6.90	2023–2024	19,031,370	3.53-7.21	2021-2037	22,478,182
Other loans, secured	2.65-4.10	2022–2037	9,492,000	–	–	–
Notes, unsecured	3.28-6.40	2022–2029	9,849,181	3.60-6.75	2021-2024	17,051,316
Domestic corporate bonds, unsecured	3.10-3.72	2022–2024	8,800,000	3.65-3.72	2021-2024	3,800,000
			69,806,849			69,580,251
			97,578,278			96,571,686

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2020 RMB'000	2019 RMB'000 (Restated)
Analysed into:		
Bank loans repayable:		
Within one year	**16,636,878**	13,951,789
In the second year	**12,236,182**	6,332,832
In the third to fifth years, inclusive	**8,291,406**	16,570,116
Beyond five years	**2,106,710**	3,347,805
	39,271,176	40,202,542
Other borrowings repayable:		
Within one year	**11,134,551**	13,039,646
In the second year	**12,259,795**	13,844,802
In the third to fifth years, inclusive	**21,224,915**	18,339,185
Beyond five years	**13,687,841**	11,145,511
	58,307,102	56,369,144
	97,578,278	96,571,686

Notes:

(a) As at 31 December 2020, the Group had loan facilities amounting to RMB173,624,510,000 (2019: RMB158,435,999,000), of which RMB72,057,362,000 (2019: RMB69,754,582,000) had been utilised.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of RMB219,982,000 (2019: RMB297,415,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately RMB75,307,751,000 (2019: RMB52,622,566,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of RMB132,501,000 (2019: RMB132,501,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately RMB11,317,930,000 (2019: RMB12,902,640,000);

(v) mortgages over certain of the Group's right-of-use assets, which had an aggregate carrying amount at 31 December 2019 of RMB142,871,000;

(vi) mortgages over certain of the Group's trade receivables, which had an aggregate carrying amount at 31 December 2019 of RMB25,514,000; and

(vii) pledge of certain of the equity interests in the Group's joint ventures, which had an aggregate carrying amount at 31 December 2019 of RMB551,668,000.

(c) Except for the bank and other borrowings amounting to approximately RMB21,225,405,000 (2019: RMB17,218,509,000), RMB13,673,743,000 (2019: RMB14,495,399,000) and RMB0 (2019: RMB127,688,000) which are denominated in United States dollars, Hong Kong dollars and Japanese Yen respectively, all bank and other borrowings are denominated in RMB.

35. PROVISION FOR LAND APPRECIATION TAX

	RMB'000
At 1 January 2019	2,680,888
Charged to the statement of profit or loss during the year (note 11)	1,855,576
Payment during the year	(713,145)
Transfer from prepaid tax	(533,184)
At 31 December 2019 and 1 January 2020	**3,290,135**
Charged to the statement of profit or loss during the year (note 11)	**913,728**
Payment during the year	**(1,558,981)**
Transfer from prepaid tax	**(570,736)**
At 31 December 2020	**2,074,146**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the pre-sales and sales proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

36. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Accrued interest income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019 as originally stated	3,500,487	605,785	732,288	142,197	126,124	170,872	5,277,753
Effect of adopting merger accounting for common control combination	–	–	–	–	–	801	801
At 1 January 2019 as restated	3,500,487	605,785	732,288	142,197	126,124	171,673	5,278,554
Acquisition of subsidiaries (note 42)	–	–	440,671	–	–	–	440,671
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	222,176	73,457	(357,883)	–	97,088	151,948	186,786
Deferred tax charged to the statement of comprehensive income during the year	17,332	–	–	–	–	–	17,332
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	3,739,995	679,242	815,076	142,197	223,212	323,621	5,923,343
Acquisition of subsidiaries (note 42)	–	–	738,975	–	–	–	738,975
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	298,264	46,656	(410,659)	–	(160,916)	405,071	178,416
Gross deferred tax liabilities at 31 December 2020	4,038,259	725,898	1,143,392	142,197	62,296	728,692	6,840,734

36. DEFERRED TAX (Continued)

Deferred tax assets

	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	662,484	360,907	863,913	47,419	1,934,723
Acquisition of subsidiaries (note 42)	–	175,748	–	–	175,748
Deferred tax credited to the statement of profit or loss during the year (note 11)	114,621	175,870	334,542	9,041	634,074
Disposal of subsidiaries (note 44)	–	(1,557)	(21,814)	–	(23,371)
Gross deferred tax assets at 31 December 2019 and 1 January 2020	777,105	710,968	1,176,641	56,460	2,721,174
Acquisition of subsidiaries (note 42)	–	14,508	–	–	14,508
Deferred tax credited to the statement of profit or loss during the year (note 11)	(336,683)	(42,515)	48,059	691,900	360,761
Disposal of subsidiaries (note 44)	–	–	(30,770)	–	(30,770)
Gross deferred tax assets at 31 December 2020	440,422	682,961	1,193,930	748,360	3,065,673

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

36. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000	2019 RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**3,052,845**	2,708,346
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(6,827,906)**	(5,910,515)
	(3,775,061)	(3,202,169)

The Group also has tax losses arising in Mainland China of RMB4,508,776,000 (2019: RMB3,091,488,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, the Group recognised deferred tax liabilities of approximately RMB142,197,000 (2019 RMB142,197,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining unremitted earnings of the Group's subsidiaries, associates, joint ventures and joint operations will be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, associates, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB31,700,547,000 at 31 December 2020 (2019: RMB34,751,989,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

37. PERPETUAL CAPITAL INSTRUMENTS

(a) 2016 Subordinate Guaranteed Perpetual Capital Securities

On 4 February 2016, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,270,950,000). The direct transaction costs attributable to the issuance amounted to US$1,470,000 (equivalent to approximately RMB9,619,000).

The securities confer a right to receive distributions at the applicable distribution rate of 6% per annum from and including 4 February 2016, payable semi-annually on 4 February and 4 August of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(b) 2016 Domestic Renewable Corporate Bonds

On 16 June 2016, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the domestic renewable corporate bonds with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB5,737,000.

The coupon rate was fixed at 3.70% and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

On 16 June 2019, the Group redeemed all of these domestic renewable corporate bonds with a principal amount of RMB2,000,000,000.

(c) 2017 Subordinate Guaranteed Perpetual Capital Securities

On 17 January 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an amount of US$497,615,000 (equivalent to approximately RMB3,433,145,000), at 99.523% of the principal amount of US$500,000,000. The direct transaction costs attributable to the issuance amounted to US$3,862,000 (equivalent to approximately RMB26,645,000).

The securities confer a right to receive distributions at the applicable distribution rate of 5.75% per annum from and including 17 January 2017, payable semi-annually on January 17 and July 17 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

On 6 November 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,987,410,000). The direct transaction costs attributable to the issuance amounted to US$196,000 (equivalent to approximately RMB1,296,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.875% per annum from and including 6 May 2018, payable semi-annually on May 6 and November 6 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

37. PERPETUAL CAPITAL INSTRUMENTS (Continued)

(d) 2017 Senior Guaranteed Perpetual Capital Securities

On 3 July 2017, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to RMB2,033,160,000). On 1 September 2017, Franshion Brilliant Limited completed another issue of the senior guaranteed perpetual capital securities with an amount of US$200,182,000 (equivalent to RMB1,319,380,000), at 100.091% of the principal amount of US$200,000,000 and an accrued distribution of US$1,289,000 (equivalent to RMB8,495,000) compensated from the bankers.

The securities confer a right to receive distribution at 4.00% per annum payable semi-annually in arrears beginning on 3 January 2018 with no stated maturity date. The transaction costs related to the issuance were approximately US$1,735,000 (equivalent to RMB11,566,000).

(e) 2017 Hwabao Trust Perpetual Capital Securities

On 22 December 2017, Jinmao Investment Management (Shanghai) Co., Ltd. completed an issue of the guaranteed perpetual capital securities, in an aggregate principal amount of RMB621,000,000 with the trust plan established by Hwabao Trust Co., Ltd.

The securities confer a right to receive distribution at 6.95% per annum payable semi-annually in arrears beginning on 21 June 2018. The issuer, may at its sole discretion, elect to defer a distribution pursuant to the terms of the securities.

On 29 December 2020, the Group redeemed all of these guaranteed perpetual capital securities with a principal amount of RMB621,000,000.

(f) 2018 Senior Guaranteed Perpetual Capital Securities

On 4 December 2018, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to RMB2,068,170,000). The direct transaction costs attributable to the issuance amounted to US$1,997,700 (equivalent to approximately RMB13,772,000).

The securities confer a right to receive distributions at the 6.90% per annum payable semi-annually in arrears beginning on 4 December 2018 with no stated maturity date. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

37. PERPETUAL CAPITAL INSTRUMENTS (Continued)

(g) 2018 Domestic Unsecured Perpetual Medium-Term Notes

On 18 December 2018, Jinmao Investment Management (Shanghai) Co., Ltd., issued the unsecured perpetual medium-term notes, with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB6,882,000.

The notes confer a right to receive distribution at 5.00% per annum payable annually beginning on 20 December 2018 and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

(h) 2019 Subordinate Guaranteed Perpetual Capital Securities

On 6 December 2019, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,815,320,000). The direct transaction costs attributable to the issuance amounted to US$759,000 (equivalent to approximately RMB5,340,000).

The securities confer a right to receive distributions at the applicable distribution rate of 7.125% per annum from and including 6 June 2020, payable semi-annually on 6 June and 6 December of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(i) 2020 Sinochem Corporation Perpetual Debts

On 14 December 2020, Jinmao Investment Management (Tianjin) Co., Ltd. entered into a perpetual debt agreement, in an aggregate principal amount of RMB5,000,000,000 with its intermediate holding company, Sinochem Corporation. The debts confer a right to receive distribution at 4.95% per annum payable annually in arrears beginning on 14 December 2021. Jinmao Investment Management (Tianjin) Co., Ltd., may at its sole discretion, elect to defer a distribution pursuant to the terms of the debts.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the perpetual capital instruments in (a) to (i) above due to redemption other than an unforeseen liquidation of the Company or the issuers. Accordingly, these instruments are classified as equity instruments.

38. SHARE CAPITAL

Shares

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
12,736,243,290 (2019: 11,769,524,490) ordinary shares	11,527,148	10,660,742

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	11,553,528,329	20,416,452
Issue of new shares (note a)	169,494,061	724,385
Share options exercised (note b)	46,502,100	110,023
At 31 December 2019 and 1 January 2020	11,769,524,490	21,250,860
Issue of new shares (note c)	951,790,000	4,845,815
Share options exercised (note d)	14,928,800	35,573
31 December 2020	12,736,243,290	26,132,248

Notes:

(a) The Company issued 169,494,061 ordinary shares at the placing price of HK$4.8106 per share with net proceeds of approximately RMB724,385,000.

(b) 46,502,100 share options were exercised at the subscription price of HK$2.44 per share or HK$2.196 per share (note 39), resulting in the issue of 46,502,100 shares for a total cash consideration, before expenses, of RMB89,794,000. An amount of RMB20,229,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(c) The Company issued 951,790,000 ordinary shares at the placing price of HK$5.70 per share with net proceeds of approximately RMB4,845,815,000.

(d) 14,928,800 share options were exercised at the subscription price of HK$2.196 per share (note 39), resulting in the issue of 14,928,800 shares for a total cash consideration, before expenses, of RMB29,428,000. An amount of RMB6,145,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

39. SHARE OPTION SCHEME

2007 Scheme

The Company operated a share option scheme (the "2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the 2007 Scheme included the Company's executive and non-executive directors and the Group's senior management, key technical and professional personnel, managers and employees, but did not include the Company's independent non-executive directors. The 2007 Scheme became effective on 22 November 2007 and expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the 2007 Scheme continued to be valid and exercisable in accordance with the terms of issue.

The maximum number of unexercised share options currently permitted to be granted under the 2007 Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2007 Scheme within any 12-month period was limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit was subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, were subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options might be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options was related to the performance of individuals and of the Company. The board of directors would determine performance targets concerned and set out in the grant notice. The share options granted would become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options was determinable by the directors, but might not be less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

Share options did not confer rights on the holders to dividends or to vote at shareholders' meetings.

39. SHARE OPTION SCHEME (Continued)

2007 Scheme (Continued)

The following share options were outstanding under the 2007 Scheme during the year:

	2020 Weighted average exercise price HK$ per share	2020 Number of options	2019 Weighted average exercise price HK$ per share	2019 Number of options
At 1 January	**2.20**	**89,258,000**	2.32	138,354,900
Forfeited during the year	**2.20**	**(1,160,000)**	2.20	(2,594,800)
Exercised during the year	**2.20**	**(14,928,800)**	2.23	(46,502,100)
At 31 December	**2.20**	**73,169,200**	2.20	89,258,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.20 per share (2019: HK$2.23 per share).

The exercise prices and exercise periods of the share options outstanding under the 2007 Scheme as at the end of the reporting period are as follows:

2020

Number of options	Exercise price* HK$ per share	Exercise period
5,458,800	**2.196**	**17 October 2018 to 16 October 2023**
25,799,200	**2.196**	**17 October 2019 to 16 October 2023**
41,911,200	**2.196**	**17 October 2020 to 16 October 2023**
73,169,200		

2019

Number of options	Exercise price* HK$ per share	Exercise period
8,017,800	2.196	17 October 2018 to 16 October 2023
37,128,200	2.196	17 October 2019 to 16 October 2023
44,112,000	2.196	17 October 2020 to 16 October 2023
89,258,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

39. SHARE OPTION SCHEME (Continued)

2007 Scheme (Continued)

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), of which the Group recognised a share option expense of HK$5,695,000 (equivalent to RMB5,065,000) (2019: RMB12,604,000) during the year ended 31 December 2020.

The 14,928,800 share options exercised during the year resulted in the issue of 14,928,800 ordinary shares of the Company and new share capital of HK$39,629,000 (equivalent to RMB35,573,000) (before issue expenses), as further detailed in note 38 to the financial statements.

New Scheme

On 29 January 2019, a new share option scheme (the "New Scheme") was adopted by the Company to enhance the Company's continuous commitment to eligible participants and enhance them to pursue the objectives of the Company. On 8 February 2019, an aggregate of 265,950,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$3.99 per share. One-third of the share options granted will be vested in two years from 8 February 2019, one-third of the share options granted will be vested in three years from 8 February 2019 and one-third of the options granted will be vested in four years from 8 February 2019. Once the share options are vested, they are exercisable until 7 February 2026.

On 9 September 2019, an aggregate of 9,000,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$4.58 per share. One-third of the share options granted will be vested in two years from 9 September 2019, one-third of the share options granted will be vested in three years from 9 September and one-third of the options granted will be vested in four years from 9 September. Once the share options are vested, they are exercisable until 8 September 2026.

According to the terms of the New Scheme, the board of directors shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company.

39. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the share options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay a consideration of HK$1 or the equivalent (to be determined on the date when the offer of the grant is accepted) to the Company for acceptance of the offer of the grant of the share option.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the New Scheme during the year:

	2020		2019	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	4.01	269,100,000	–	–
Granted during the year	–	–	4.01	274,950,000
Forfeited during the year	3.99	(6,750,000)	3.99	(5,850,000)
At 31 December	4.01	262,350,000	4.01	269,100,000

The exercise prices and exercise periods of the share options outstanding under the New Scheme as at the end of the reporting period are as follows:

2020

Number of options	Exercise price* HK$ per share	Exercise period
84,444,000	3.99	8 February 2021 to 7 February 2026
84,444,000	3.99	8 February 2022 to 7 February 2026
84,462,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
262,350,000		

39. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

2019

Number of options	Exercise price* HK$ per share	Exercise period
86,694,000	3.99	8 February 2021 to 7 February 2026
86,694,000	3.99	8 February 2022 to 7 February 2026
86,712,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
269,100,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year ended 31 December 2019 was HK$257,594,000 of which the Group recognised a share option expense of HK$93,020,000 (equivalent to RMB82,721,000) (2019: RMB71,412,000) during the year ended 31 December 2020.

The fair value of equity-settled share options granted during the year ended 31 December 2019 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	4.80-5.26
Expected volatility (%)	37.65-41.15
Historical volatility (%)	37.65-41.15
Risk-free interest rate (%)	1.15-1.63
Contractual life of options (year)	7.00
Exercise multiple (times)	1.5-∞
Weighted average share price (HK$ per share)	3.99-4.58

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 73,169,200 share options outstanding under the 2007 Scheme and 262,350,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 335,519,200 additional ordinary shares of the Company and additional share capital of HK$1,212,766,000 (equivalent to RMB1,078,494,000) (before issue expenses).

40. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 172 to 173 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

Asset revaluation reserve

The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties carried at fair value.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Hedging reserve

The hedging reserve represents reserves related to net investment hedges and cash flow hedges.

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000
2020		
Percentage of equity interest held by non-controlling interests	**72.50%**	**73.50%**
(Loss)/profit for the year allocated to non-controlling interests	**(16,017)**	**205,829**
Dividends declared to non-controlling interests	**–**	**110,250**
Accumulated balances of non-controlling interests at the reporting date	**2,102,226**	**3,530,703**

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2019			
Percentage of equity interest held by non-controlling interests	72.50%	73.50%	33.23%
(Loss)/profit for the year allocated to non-controlling interests	(31,777)	162,170	81,864
Dividends declared to non-controlling interests	–	–	173,758
Accumulated balances of non-controlling interests at the reporting date	2,118,243	3,435,124	1,766,603

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000
2020		
Revenue	**3,810**	**5,069,754**
Total expenses	**(25,902)**	**(4,789,714)**
(Loss)/profit for the year	**(22,092)**	**280,040**
Total comprehensive (loss)/income for the year	**(22,092)**	**280,040**
Current assets	**7,064,879**	**7,464,164**
Non-current assets	**3,317,757**	**260**
Current liabilities	**(6,862,139)**	**(2,289,781)**
Non-current liabilities	**(623,835)**	**(363,081)**
Net cash flows (used in)/from operating activities	**(326,960)**	**2,785,909**
Net cash flows used in investing activities	**(185)**	**(1,800,000)**
Net cash flows (used in)/from financing activities	**(362,861)**	**(793,012)**
Net (decrease)/increase in cash and cash equivalents	**(690,006)**	**192,897**

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2019			
Revenue	1,983	1,629,011	2,473,670
Total expenses	(45,814)	(1,408,372)	(2,227,315)
(Loss)/profit for the year	(43,831)	220,639	246,355
Total comprehensive (loss)/income for the year	(43,831)	220,639	153,223
Current assets	7,383,027	9,677,018	896,248
Non-current assets	3,225,715	376	17,115,259
Current liabilities	(7,365,102)	(3,828,407)	(8,389,723)
Non-current liabilities	(321,604)	(1,167,314)	(4,161,624)
Net cash flows from operating activities	4,621,579	3,733,050	620,182
Net cash flows used in investing activities	(846)	(1,149,956)	(140,050)
Net cash flows used in financing activities	(3,491,358)	(2,470,689)	(533,885)
Net increase/(decrease) in cash and cash equivalents	1,129,375	112,405	(53,753)

42. BUSINESS COMBINATION NOT UNDER COMMON CONTROL

Business combination during the year ended 31 December 2020 mainly included the acquisitions of a number of property development companies and acquisition of additional interests in joint ventures and associates (collectively referred to as the "2020 Acquirees"). 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.

The Group remeasured the fair value of the equity interest previously held as joint ventures or associates at the date of acquisition, and fair value gains of RMB1,307,456,000 were recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2020 (note 5).

The Group has elected to measure the non-controlling interest in the 2020 Acquirees at the non-controlling interest's proportionate share of the 2020 Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the 2020 Acquirees as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	14	3,089
Right-of-use assets	19(a)	6,831
Intangible assets	20	1,833
Investments in associates		197,966
Properties under development	15	24,817,373
Properties held for sale		468,612
Deferred tax assets	36	14,508
Trade and bills receivables		11,100
Prepayments, other receivables and other assets		1,081,192
Prepaid tax		858,604
Cash and cash equivalents		481,017
Trade and bills payables		(462,382)
Other payables and accruals		(7,928,932)
Interest-bearing bank and other borrowings	45	(12,179,396)
Tax payable		(57,549)
Lease liabilities	19(b), 45	(4,814)
Deferred tax liabilities	36	(738,975)
Total identifiable net assets at fair value		6,570,077
Non-controlling interests		(628,428)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(146,548)
		5,795,101
Satisfied by:		
Cash*		4,289,225
Fair value of equity interest previously held as investments in joint ventures and associates		1,505,876
Total purchase consideration		5,795,101

* Cash consideration of RMB2,303,775,000 had been pre-paid by the Group as at 31 December 2019, and the consideration of RMB1,985,450,000 was paid during the year.

42. BUSINESS COMBINATION NOT UNDER COMMON CONTROL (Continued)

The fair values of its other receivables as at the date of acquisition amounted RMB1,081,192,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB303,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group recognised a gain on bargain purchase of approximately RMB146,548,000 in the consolidated statement of profit or loss for the year ended 31 December 2020, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third parties, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash consideration	(1,985,450)
Cash and bank balances acquired	481,017
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(1,504,433)
Transaction costs of the acquisition included in cash flows used in operating activities	(303)
	(1,504,736)

Since the acquisition, the 2020 Acquirees contributed RMB8,088,518,000 to the Group's revenue and incurred a loss of RMB493,417,000 to the consolidated profit for the year ended 31 December 2020 in aggregate.

Had the combination taken place at the beginning of the year ended 31 December 2020, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2020 would have been RMB61,347,684,000 and RMB6,198,478,000, respectively.

42. BUSINESS COMBINATION NOT UNDER COMMON CONTROL (Continued)

Business combination during the year ended 31 December 2019 mainly included the acquisitions of a number of property development companies and acquisition of additional interests in joint ventures and associates (collectively referred to as the "2019 Acquirees"). 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.

The Group remeasured the fair value of the equity interest previously held as joint ventures or associates at the date of acquisition, and fair value gains of RMB346,240,000 were recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2019 (note 5).

The Group has elected to measure the non-controlling interest in the 2019 Acquirees at the non-controlling interest's proportionate share of the 2019 Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the 2019 Acquirees as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	14	154,654
Right-of-use assets	19(a)	20,690
Intangible assets	20	543
Properties under development	15	9,996,192
Properties held for sale		11,527,779
Deferred tax assets	36	175,748
Prepayments, other receivables and other assets		4,995,758
Prepaid tax		681,468
Restricted bank balance		5,705
Cash and cash equivalents		1,526,634
Trade and bills payables		(431,963)
Other payables and accruals		(17,108,997)
Interest-bearing bank and other borrowings	45	(6,680,625)
Lease liabilities	19(b), 45	(8,856)
Deferred tax liabilities	36	(440,671)
Total identifiable net assets at fair value		4,414,059
Non-controlling interests		(793,305)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(401,970)
		3,218,784
Satisfied by:		
Cash		1,318,088
Fair value of equity interest previously held as investments in joint ventures and associates		1,900,696
Total purchase consideration		3,218,784

42. BUSINESS COMBINATION NOT UNDER COMMON CONTROL (Continued)

The fair values of its other receivables as at the date of acquisition amounted RMB4,995,758,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB1,206,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group recognised a gain on bargain purchase of approximately RMB401,970,000 in the consolidated statement of profit or loss for the year ended 31 December 2019, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third parties, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash consideration	(1,318,088)
Cash and bank balances acquired	1,526,634
Net inflow of cash and cash equivalents included in cash flows from investing activities	208,546
Transaction costs of the acquisition included in cash flows used in operating activities	(1,206)
	207,340

Since the acquisition, the 2019 Acquirees contributed RMB7,211,925,000 to the Group's revenue and incurred a loss of RMB177,996,000 to the consolidated profit for the year ended 31 December 2019 in aggregate.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2019 would have been RMB45,294,875,000 and RMB8,848,811,000, respectively.

43. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS

On 12 June 2020, the Group acquired 100% equity interests of Wuhan Huazi Enterprise Management Consulting Co., Ltd. ("Wuhan Huazi") from Sinochem Asset Management Co., Ltd. ("Sinochem Asset Management") at a cash consideration of RMB6,850,000,000. Wuhan Huazi and its subsidiaries are principally engaged in property development, construction and operation of real estate projects in Qingdao and Tianjin, the PRC. Sinochem Asset Management is a wholly-owned subsidiary of Sinochem Group. Since the Group and the above acquired subsidiaries are all under the common control of Sinochem Group and that control is not transitory, the above acquisition was regarded as a business combination under common control and the Group adopted merger accounting in respect of the transaction.

The effects of the application of merger accounting for the business combination under common control occurred during the year ended 31 December 2020 on the Group's financial position as at 31 December 2019 and the results for the year ended 31 December 2019 are summarised as follows:

For the year ended 31 December 2019

	As originally stated RMB'000	Acquired subsidiaries under common control RMB'000	As restated RMB'000
Revenue	43,355,941	–	43,355,941
Cost of sales	(30,591,198)	–	(30,591,198)
Gross profit	12,764,743	–	12,764,743
Other income and gains	6,112,103	23,601	6,135,704
Selling and marketing expenses	(1,314,262)	11,861	(1,302,401)
Administrative expenses	(3,052,246)	(4,166)	(3,056,412)
Other expenses and losses, net	(6,916)	–	(6,916)
Finance costs	(2,269,058)	(1,708)	(2,270,766)
Share of profits and losses of:			
Joint ventures	722,390	–	722,390
Associates	(132,653)	–	(132,653)
Profit before tax	12,824,101	29,588	12,853,689
Income tax expense	(4,194,983)	(47)	(4,195,030)
Profit for the year	8,629,118	29,541	8,658,659
Profit attributable to:			
Owners of the parent	6,452,210	29,541	6,481,751
Non-controlling interests	2,176,908	–	2,176,908
	8,629,118		8,658,659

43. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS (Continued)

For the year ended 31 December 2019 (Continued)

	As originally stated RMB'000	Acquired subsidiaries under common control RMB'000	As restated RMB'000
Profit for the year	8,629,118	29,541	8,658,659
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax	(885,555)	–	(885,555)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax	51,995	–	51,995
Other comprehensive loss for the year, net of tax	(833,560)	–	(833,560)
Total comprehensive income for the year	7,795,558	29,541	7,825,099
Total comprehensive income for the year attributable to:			
Owners of the parent	5,686,345	29,541	5,715,886
Non-controlling interests	2,109,213	–	2,109,213
Total comprehensive income for the year	7,795,558	29,541	7,825,099

The effects of application of merger accounting for the business combination under common control on the Group's basic and diluted earnings per share for the year ended 31 December 2019:

	Basic earnings per share RMB'000	Diluted earnings per share RMB'000
As originally stated	55.38	55.13
Adjustment arising on the business combination under common control	0.26	0.26
As restated	55.64	55.39

43. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS (Continued)

As at 31 December 2019

	As originally stated RMB'000	Acquired subsidiaries under common control RMB'000	Elimination RMB'000	As restated RMB'000
Non-current assets	154,516,386	4,425,505	–	158,941,891
Current assets	171,632,141	4,307,396	(20)	175,939,517
Total assets	326,148,527	8,732,901	(20)	334,881,408
Non-current liabilities	75,508,283	207,839	–	75,716,122
Current liabilities	164,782,063	1,948,889	(20)	166,730,932
Total liabilities	240,290,346	2,156,728	(20)	242,447,054
Net assets	85,858,181	6,576,173	–	92,434,354
Share capital	21,250,860	6,520,000	(6,520,000)	21,250,860
Reserves	18,121,327	56,173	6,520,000	24,697,500
	39,372,187	6,576,173	–	45,948,360
Non-controlling interests	46,485,994	–	–	46,485,994
Total equity	85,858,181	6,576,173	–	92,434,354

44. DISPOSAL OF SUBSIDIARIES

During the years ended 31 December 2020 and 31 December 2019, the Group lost control over certain subsidiaries.

	Notes	2020 RMB'000	2019 RMB'000
Net assets disposed of:			
Property, plant and equipment	14	4,347	1,034
Intangible assets	20	664	–
Deferred tax assets	36	30,770	23,371
Cash and cash equivalents		3,189,001	1,761,490
Properties under development	15	27,533,056	8,095,596
Properties held for sale		–	1,112,315
Prepayments, other receivables and other assets		2,858,032	3,178,688
Prepaid tax		456,118	486,314
Trade and bills payables		(1,108,363)	(591,881)
Other payables and accruals		(22,667,510)	(6,925,100)
Interest-bearing bank and other borrowings	45	(4,877,100)	(4,384,363)
		5,419,015	2,757,464
Non-controlling interests		(1,023,942)	(799,612)
		4,395,073	1,957,852
Gain on disposal of subsidiaries	5	1,543,156	1,018,026
		5,938,229	2,975,878
Satisfied by:			
Cash		2,814,904	1,652,586
Fair value of interests retained by the Group		3,123,325	1,323,292
		5,938,229	2,975,878

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020 RMB'000	2019 RMB'000
Cash consideration	2,814,904	1,652,586
Cash and cash equivalents disposed of	(3,189,001)	(1,761,490)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(374,097)	(108,904)

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,037,659,000 (including those classified under investment properties of RMB869,941,000) (2019: RMB169,143,000, including those classified under investment properties of RMB63,025,000) and RMB1,037,659,000 (2019: RMB169,143,000), respectively.

(b) Changes in liabilities arising from financing activities:

2020

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000	Lease liabilities RMB'000
At 1 January 2020 as originally stated	96,036,136	12,754,794	–	195,609
Effect of adopting merger accounting for common control combination	535,550	–	–	–
At 1 January 2020 as restated	96,571,686	12,754,794	–	195,609
Changes from financing cash flows	(3,999,756)	2,117,986	(1,068,018)	(179,414)
Foreign exchange movement	(2,295,948)	–	–	–
New leases	–	–	–	1,037,659
Interest expense	–	–	–	40,907
2019 final dividends	–	–	589,189	–
2020 interim dividends	–	–	478,829	–
Dividends to non-controlling shareholders	–	407,459	–	–
Increase arising from acquisition of subsidiaries (note 42)	12,179,396	–	–	4,814
Decrease arising from disposal of subsidiaries (note 44)	(4,877,100)	–	–	–
At 31 December 2020	97,578,278	15,280,239	–	1,099,575

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities: (Continued)

2019

	Bank and other loans RMB'000 (Restated)	Payable to non-controlling shareholders and others RMB'000 (Restated)	Amount due to immediate holding company RMB'000 (Restated)	Lease liabilities RMB'000 (Restated)
At 1 January 2019 as originally stated	87,972,658	15,855,878	–	96,004
Effect of adopting merger accounting for common control combination	137,000	–	–	–
At 1 January 2019 as restated	88,109,658	15,855,878	–	96,004
Changes from financing cash flows	5,572,093	(4,032,700)	(954,950)	(85,824)
Foreign exchange movement	593,673	–	–	–
New leases	–	–	–	169,143
Interest expense	–	–	–	7,430
2018 final dividends	–	–	507,871	–
2019 interim dividends	–	–	447,079	–
Dividends to non-controlling shareholders	–	931,616	–	–
Increase arising from acquisition of subsidiaries (note 42)	6,680,625	–	–	8,856
Decrease arising from disposal of subsidiaries (note 44)	(4,384,363)	–	–	–
At 31 December 2019	96,571,686	12,754,794	–	195,609

(c) Total cash outflow for leases:

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Within operating activities	32,646	14,205
Within financing activities	179,414	85,824
	212,060	100,029

46. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees amounting to approximately RMB30,337,792,000 (2019: RMB22,867,719,000) in respect of mortgage facilities for certain purchasers of the Group's properties.

47. COMMITMENTS

(a) The Group had the following commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000 (Restated)
Contracted, but not provided for:		
Properties under development	**43,470,487**	35,374,827
Land under development	**5,042,970**	2,313,463
Property, plant and equipment	**290,252**	4,438
Capital contributions to joint ventures and associates	**5,555,316**	5,332,714
	54,359,025	43,025,442

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are RMB21,515,000 due within one year.

48. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Fellow subsidiaries:			
Rental income*	(i)	**243,433**	229,996
Property management fee income*	(i)	**49,186**	38,835
Interest expense*	(ii)	**258,831**	116,745
Interest income*	(iii)	**141,209**	107,596
Building decoration service income	(i)	**–**	6,894
The immediate holding company:			
Rental expense	(i)	**5,285**	5,229
Interest expense	(iv)	**168,779**	278,928
An intermediate holding company:			
Rental income*	(i)	**88,569**	84,568
Property management fee income*	(i)	**11,556**	11,698
Interest expense	(iv)	**663,373**	91,927
Building decoration service income	(i)	**–**	2,788
The ultimate holding company:			
Rental income*	(i)	**7,910**	7,910
Interest expense	(iv)	**882**	389
Joint ventures:			
Interest income	(v)	**1,777,867**	1,630,392
Interest expense	(iv)	**209,897**	67,089
Consulting fee expense	(i)	**236,305**	237,566
Rental income	(i)	**2,747**	3,793
Property management fee income	(i)	**87,096**	91,998
Building decoration service income	(i)	**401,921**	266,404
Consulting fee income	(i)	**44,431**	33,258
Associates:			
Interest income	(v)	**799,266**	747,936
Interest expense	(iv)	**139,669**	5,745
Property management fee income	(i)	**65,245**	47,921
Building decoration service income	(i)	**410,688**	245,830
Consulting fee income	(i)	**69,115**	60,538
An associate of the Group's ultimate holding company:			
Rental income	(i)	**8,161**	8,155
Property management fee income	(i)	**656**	34
The substantial shareholder:			
Interest income*	(iii)	**88,814**	30,042
Interest expense	(iv)	**18,595**	46,487

48. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest expense was charged at rates ranging from 2.70 % to 5.00% (2019: 3.21 % to 7.00%) per annum.

(iii) The interest income was determined at rates ranging from 2.18% to 3.15% (2019: 0.35% to 3.15%) per annum.

(iv) The interest expense was charged at rates ranging from 2.00% to 5.10% (2019: 1.50% to 9.00%) per annum.

(v) The interest income was determined at rates ranging from 1.93% to 13.88% (2019: 2.18% to 2.75%) per annum.

* A certain portion of these related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Short term employee benefits	**46,290**	60,912
Post-employment benefits	**2,490**	3,154
Equity-settled share option expense	**6,808**	6,162
Total compensation paid to key management personnel	**55,588**	70,228

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

(c) Transactions and balances with other state-owned entities

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

49. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020			2019			
	Financial assets at fair value through profit or loss			Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000	Designated as such upon initial recognition RMB'000 (Restated)	Mandatorily designated as such RMB'000 (Restated)	Financial assets at amortised cost RMB'000 (Restated)	Total RMB'000 (Restated)
Financial assets							
Trade receivables	–	446,776	446,776	–	–	1,445,864	1,445,864
Financial assets included in prepayments, other receivables and other assets	–	22,385,371	22,385,371	–	–	21,881,126	21,881,126
Due from related parties	–	42,559,471	42,559,471	–	–	46,522,725	46,522,725
Due from non-controlling shareholders	–	866,814	866,814	–	–	1,069,839	1,069,839
Other financial assets	647,716	–	647,716	96,351	230,000	–	326,351
Long-term time deposit	–	–	–	–	–	3,300,000	3,300,000
Restricted bank balances	–	8,622,174	8,622,174	–	–	7,510,751	7,510,751
Cash and cash equivalents	–	43,455,580	43,455,580	–	–	17,945,788	17,945,788
	647,716	118,336,186	118,983,902	96,351	230,000	99,676,093	100,002,444

	2020			2019		
	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at fair value through profit or loss – held for trading RMB'000 (Restated)	Financial liabilities at amortised cost RMB'000 (Restated)	Total RMB'000 (Restated)
Financial liabilities						
Trade and bills payables	–	21,906,848	21,906,848	–	19,086,939	19,086,939
Financial liabilities included in other payables and accruals	–	21,823,485	21,823,485	–	16,536,792	16,536,792
Derivative financial instruments	95,792	–	95,792	53,124	–	53,124
Due to related parties	–	49,189,933	49,189,933	–	31,903,445	31,903,445
Interest-bearing bank and other borrowings	–	97,578,278	97,578,278	–	96,571,686	96,571,686
Lease liabilities	–	1,099,575	1,099,575	–	195,609	195,609
Long-term payables	–	71,996	71,996	–	70,000	70,000
	95,792	191,670,115	191,765,907	53,124	164,364,471	164,417,595

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000 (Restated)	2020 RMB'000	2019 RMB'000 (Restated)
Financial assets				
Other financial assets	**647,716**	326,351	**647,716**	326,351
Financial liabilities				
Derivative financial instruments	**95,792**	53,124	**95,792**	53,124
Interest-bearing bank and other borrowings	**97,578,278**	96,571,686	**98,961,766**	97,874,652

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of long-term time deposits, interest-bearing bank and other borrowings except for notes and domestic corporate bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of notes and domestic corporate bonds are based on quoted market prices. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of unlisted equity investments designated at fair value through profit or loss included in other financial assets, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

	2020 RMB'000	2019 RMB'000
Other financial assets	**647,716**	326,351

The Group's assets were neither categorised in Level 1 nor Level 3 as at 31 December 2020 (2019: Nil).

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

As at 31 December 2020

	2020 RMB'000	2019 RMB'000
Derivative financial instruments	**95,792**	53,124

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

Assets for which fair values are disclosed:

The carrying amounts of the Group's financial assets were either measured at fair value in the statement of financial positions or approximate to fair values as at 31 December 2019 and 2020.

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**26,904,404**	**72,057,362**	**–**	**98,961,766**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Restated)	Significant observable inputs (Level 2) RMB'000 (Restated)	Significant unobservable inputs (Level 3) RMB'000 (Restated)	Total RMB'000 (Restated)
Interest-bearing bank and other borrowings	27,584,520	70,290,132	–	97,874,652

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, including forward currency contracts and interest rate swaps. The purpose is to manage foreign currency risk arising from the Group's net investment in foreign operations, and to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2020		
RMB	**25**	**(33,450)**
US$	**25**	**(13,545)**
HK$	**25**	**(15,231)**
RMB	**(25)**	**33,450**
US$	**(25)**	**13,545**
HK$	**(25)**	**15,231**
31 December 2019		
RMB	25	(47,449)
US$	25	(10,858)
HK$	25	(25,445)
RMB	(25)	47,449
US$	(25)	10,858
HK$	(25)	25,445

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and has applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currencies out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the approval from the appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require the approval from the State Administration of Foreign Exchange, this could affect the ability of the Group's subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits and interest-bearing borrowings denominated in United States dollars and Hong Kong dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group have used derivative financial instruments to reduce the exposure to foreign currency borrowings.

The Group entered into derivative financial instruments in respect of the cash flow hedges to minimise the foreign currency exposures as detailed in note 33 to the financial statements. It's the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and US$ on the Group's profits for the years ended 31 December 2020 and 2019.

Increase/(decrease) in US$ rate	Increase/(decrease) in profit for the year 2020 RMB'000	Increase/(decrease) in profit for the year 2019 RMB'000
+1%	(208,719)	(164,331)
-1%	208,719	164,331

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2020 and 2019.

Increase/(decrease) in US$ rate	Increase/(decrease) in profit for the year 2020 RMB'000	Increase/(decrease) in profit for the year 2019 RMB'000
+5%	3,773	979
-5%	(3,773)	(979)

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	789,328	789,328
Trade receivables*	–	–	–	468,391	468,391
Financial assets included in prepayments, other receivables and other assets					
– Normal**	22,385,371	–	–	–	22,385,371
Due from non-controlling shareholders	866,814	–	–	–	866,814
Due from related parties	37,746,335	6,124,316	–	–	43,870,651
Other financial assets	647,716	–	–	–	647,716
Restricted bank balances					
– Not yet past due	8,622,174	–	–	–	8,622,174
Cash and cash equivalents					
– Not yet past due	43,455,580	–	–	–	43,455,580
	113,723,990	6,124,316	–	1,257,719	121,106,025

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000 (Restated)	Stage 2 RMB'000 (Restated)	Stage 3 RMB'000 (Restated)	Simplified approach RMB'000 (Restated)	Total RMB'000 (Restated)
Contract assets*	–	–	–	267,009	267,009
Trade receivables*	–	–	–	1,462,059	1,462,059
Financial assets included in prepayments, other receivables and other assets					
– Normal**	21,881,126	–	–	–	21,881,126
Due from non-controlling shareholders	1,069,839	–	–	–	1,069,839
Due from related parties	46,522,725	–	–	–	46,522,725
Other financial assets	326,351	–	–	–	326,351
Long-term time deposit					
– Not yet past due	3,300,000	–	–	–	3,300,000
Restricted bank balances					
– Not yet past due	7,510,751	–	–	–	7,510,751
Cash and cash equivalents					
– Not yet past due	17,945,788	–	–	–	17,945,788
	98,556,580	–	–	1,729,068	100,285,648

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 26 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and contract assets are disclosed in notes 24 and 26 to the financial statements.

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	29,806,622	25,879,513	31,552,240	15,904,747	103,143,122
Lease liabilities	187,146	147,070	324,450	881,494	1,540,160
Trade and bills payables	21,906,848	–	–	–	21,906,848
Other payables	21,823,484	–	–	–	21,823,484
Derivative financial instruments	10,403	–	85,389	–	95,792
Due to related parties	38,135,983	9,918,013	1,135,937	–	49,189,933
Long-term payables	22,549	19,211	36,422	2,000	80,182
	111,893,035	35,963,807	33,134,438	16,788,241	197,779,521

	2019				
	Within 1 year or on demand RMB'000 (Restated)	More than 1 year but less than 2 years RMB'000 (Restated)	More than 2 years but less than 5 years RMB'000 (Restated)	More than 5 years RMB'000 (Restated)	Total RMB'000 (Restated)
Interest-bearing bank and other borrowings	31,835,468	21,090,233	38,204,185	14,855,638	105,985,524
Lease liabilities	91,418	54,688	43,431	70,876	260,413
Trade and bills payables	19,086,939	–	–	–	19,086,939
Other payables	16,536,792	–	–	–	16,536,792
Derivative financial instruments	18,133	8,349	26,642	–	53,124
Due to related parties	31,903,445	–	–	–	31,903,445
Long-term payables	11,305	17,211	51,633	–	80,149
	99,483,500	21,170,481	38,325,891	14,926,514	173,906,386

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital on the basis of the net debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents, restricted bank balances and certain financial assets at fair value through profit or loss. Adjusted capital comprises all components of equity (including non-controlling interests) and the Company's amounts due to the immediate holding company. The Group aims to maintain the net debt-to-adjusted-capital ratio at a reasonable level. The net debt-to-adjusted-capital ratios as at the end of the reporting periods were as follows:

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Interest-bearing bank and other borrowings	34	**97,578,278**	96,571,686
Less: Cash and cash equivalents, restricted bank balances and certain other financial assets		**(52,578,801)**	(25,457,616)
Net debt		**44,999,477**	71,114,070
Total equity		**101,827,082**	92,434,354
Add: the Company's amounts due to the immediate holding company		**8,828,531**	10,065,072
Adjusted capital		**110,655,613**	102,499,426
Net debt-to-adjusted-capital ratio		**40.7%**	69.4%

52. EVENT AFTER THE REPORTING PERIOD

On 8 February 2021, Franshion Brilliant Limited, a wholly owned subsidiary of the Company, completed an issue of subordinate guaranteed perpetual capital securities in the aggregate principal amount of US$500,000,000 (equivalent to RMB3,233,900,000). The securities confer a right to receive distribution at 6.00% per annum payable semi-annually in arrears beginning on 8 August 2021. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities.

53. COMPARATIVE AMOUNTS

As further explained in notes 2.1 and 43 to the financial statements, due to the business combination under common control during the year, the comparative amounts in the consolidated financial statements have been restated.

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	103	112
Right-of-use assets	–	212
Investments in subsidiaries	38,410,585	24,199,756
Total non-current assets	38,410,688	24,200,080
CURRENT ASSETS		
Due from subsidiaries	51,068,672	63,569,478
Prepayments, other receivables and other assets	598,931	851,866
Due from related parties	1,350	1,392
Cash and cash equivalents	2,669,304	1,654,390
Total current assets	54,338,257	66,077,126
CURRENT LIABILITIES		
Other payables and accruals	360,357	352,861
Due to related parties	12,743,427	11,481,289
Interest-bearing bank and other borrowings	12,925,194	9,701,731
Lease liabilities	–	180
Total current liabilities	26,028,978	21,536,061
NET CURRENT ASSETS	28,309,279	44,541,065
TOTAL ASSETS LESS CURRENT LIABILITIES	66,719,967	68,741,145
NON-CURRENT LIABILITIES		
Due to subsidiaries	30,873,361	33,461,753
Interest-bearing bank and other borrowings	8,556,430	11,948,399
Other financial liabilities	64,319	34,991
Total non-current liabilities	39,494,110	45,445,143
Net assets	27,225,857	23,296,002
EQUITY		
Share capital	26,132,248	21,250,860
Reserves (note)	1,093,609	2,045,142
Total equity	27,225,857	23,296,002

Li Congrui
Director

Jiang Nan
Director

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	(147,008)	(32,794)	51,687	1,428,112	1,299,997
Final 2018 dividend declared	–	–	–	(1,018,798)	(1,018,798)
2019 interim dividend declared	–	–	–	(1,273,730)	(1,273,730)
Total comprehensive income for the year	547,355	(2,197)	–	2,428,728	2,973,886
Equity-settled share option arrangements	–	–	84,016	–	84,016
Exercise of share options	–	–	(20,229)	–	(20,229)
Transfer of share option reserve upon the forfeiture of share options	–	–	(2,545)	2,545	–
At 31 December 2019 and 1 January 2020	400,347	(34,991)	112,929	1,566,857	2,045,142
Final 2019 dividend declared	–	–	–	(1,181,924)	(1,181,924)
2020 interim dividend declared	–	–	–	(1,364,184)	(1,364,184)
Total comprehensive income for the year	(1,683,559)	(29,328)	–	3,225,821	1,512,934
Equity-settled share option arrangements	–	–	87,786	–	87,786
Exercise of share options	–	–	(6,145)	–	(6,145)
Transfer of share option reserve upon the forfeiture of share options	–	–	(7,603)	7,603	–
At 31 December 2020	(1,283,212)	(64,319)	186,967	2,254,173	1,093,609

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2021.

Independent Auditor's Report

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of China Jinmao Holdings Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Jinmao Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 162 to 287, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
The Group adopted the fair value model for its investment properties in accordance with HKAS 40 *Investment Property*. Changes in fair values were recorded in profit or loss. The valuations on the investment properties of the Group as at 31 December 2019 were determined by management or independent appraisers engaged by management. Different valuation techniques were applied to these investment properties. As both the year-end balance of RMB31,260,683,000 and the changes in fair value of RMB454,695,000 were significant, and the valuation involved management judgement and estimates based on a projection of future rental income, growth rate, vacancy rate, discount rate and reversionary yield, we considered the revaluation of investment properties a key audit matter of our audit. Relevant disclosures are included in notes 3 and 17 to the consolidated financial statements.	We considered the competence, capabilities and objectivity of the external appraisers. We involved our real estate valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples. We compared market rental assumptions against actual rents of existing lease contracts and external market rents, expected vacancy rate against historical data maintained by the Group, and the discount rate, the growth rate and reversionary yield against those of peers with similar nature and area of properties. We also assessed the adequacy of the disclosures of investment properties, including valuation sensitivity and the fair value hierarchy.
Impairment of trade receivables	
As at 31 December 2019, the balance of trade receivables of the Group was RMB1,445,864,000, arising from its land development revenue, the sale of properties, leasing activities, the provision of hotel and property management services. The Group recognises an impairment provision based on the expected credit loss ("ECL") approach under HKFRS 9 *Financial Instruments*. The measurement of ECL requires the application of significant judgement and estimate, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment. Relevant disclosures are included in notes 3 and 23 to the consolidated financial statements.	Our audit procedures included the assessment of the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses. We also assessed the reasonableness of management's expected credit loss allowance by examining the information used by management to form such judgement and estimate, including checking the accuracy of the historical default information, and evaluating whether the historical loss rates were appropriately adjusted based on current economic conditions and forward-looking information. We also evaluated the reasonableness of the Group's provision for trade receivables by reference to the Group's subsequent collection of the trade receivables.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**43,355,941**	38,732,667
Cost of sales		**(30,591,198)**	(24,194,452)
Gross profit		**12,764,743**	14,538,215
Other income and gains	5	**6,112,103**	2,722,393
Selling and marketing expenses		**(1,314,262)**	(1,051,610)
Administrative expenses		**(3,052,246)**	(2,417,509)
Other expenses and losses, net		**(6,916)**	(36,146)
Finance costs	7	**(2,269,058)**	(2,420,573)
Share of profits and losses of:			
Joint ventures		**722,390**	369,183
Associates		**(132,653)**	10,749
PROFIT BEFORE TAX	6	**12,824,101**	11,714,702
Income tax expense	10	**(4,194,983)**	(4,337,978)
PROFIT FOR THE YEAR		**8,629,118**	7,376,724
Attributable to:			
Owners of the parent		**6,452,210**	5,210,888
Non-controlling interests		**2,176,908**	2,165,836
		8,629,118	7,376,724
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	**RMB cents**	RMB cents
Basic		**55.38**	45.28
Diluted		**55.13**	45.06

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR		**8,629,118**	7,376,724
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(967,072)**	(1,501,727)
Net gain on net investment hedges		**–**	3,083
Net gain/(loss) on cash flow hedges		**81,517**	(44,189)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax		**(885,555)**	(1,542,833)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation	13	**69,327**	17,295
Income tax effect	35	**(17,332)**	(4,324)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**51,995**	12,971
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(833,560)**	(1,529,862)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,795,558**	5,846,862
Attributable to:			
Owners of the parent		**5,686,345**	3,801,527
Non-controlling interests		**2,109,213**	2,045,335
		7,795,558	5,846,862

Consolidated Statement of Financial Position

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**10,910,924**	10,729,103
Properties under development	14	**64,845,385**	50,127,258
Land under development	15	**10,705,213**	9,571,548
Investment properties	17	**31,260,683**	29,205,862
Right-of-use assets	18(b)	**1,614,306**	–
Prepaid land lease payments	18(a)	**–**	1,458,246
Intangible assets	19	**50,023**	44,815
Investments in joint ventures	20	**11,511,385**	7,346,601
Investments in associates	21	**7,597,657**	6,698,667
Deferred tax assets	35	**2,708,346**	1,897,894
Due from non-controlling shareholders	29	**1,069,839**	3,625,331
Due from related parties	26	**8,257,752**	1,967,350
Other receivables and other assets	24	**359,599**	300,000
Long-term time deposit	28	**3,300,000**	–
Other financial assets	27	**325,274**	1,239,281
Total non-current assets		**154,516,386**	124,211,956
CURRENT ASSETS			
Properties under development	14	**61,278,865**	48,471,834
Properties held for sale	16	**11,783,581**	8,991,061
Land under development	15	**1,990,602**	3,099,645
Inventories	22	**174,174**	120,197
Trade receivables	23	**1,445,864**	789,588
Contract assets	25	**267,009**	154,500
Prepayments, other receivables and other assets	24	**30,203,006**	20,020,799
Due from related parties	26	**35,756,220**	37,007,227
Prepaid tax		**4,050,432**	2,986,611
Other financial assets	27	**1,077**	2,199
Derivative financial instruments	32	**–**	847
Restricted bank balances	28	**7,486,609**	4,457,579
Cash and cash equivalents	28	**17,194,702**	21,324,200
Total current assets		**171,632,141**	147,426,287
CURRENT LIABILITIES			
Trade and bills payables	30	**18,995,534**	11,692,844
Other payables and accruals	31	**82,490,230**	68,158,124
Interest-bearing bank and other borrowings	33	**26,662,885**	21,976,235
Lease liabilities	18(c)	**75,244**	–
Due to related parties	26	**30,675,182**	15,885,404
Tax payable		**2,574,720**	1,697,365
Derivative financial instruments	32	**18,133**	–
Provision for land appreciation tax	34	**3,290,135**	2,680,888
Total current liabilities		**164,782,063**	122,090,860
NET CURRENT ASSETS		**6,850,078**	25,335,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**161,366,464**	149,547,383

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**69,373,251**	65,996,423
Long-term payables		**70,000**	–
Lease liabilities	18(c)	**120,365**	–
Derivative financial instruments	32	**34,991**	44,769
Deferred tax liabilities	35	**5,909,676**	5,240,924
Total non-current liabilities		**75,508,283**	71,282,116
Net assets		**85,858,181**	78,265,267
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	**21,250,860**	20,416,452
Other reserves		**18,121,327**	15,379,784
		39,372,187	35,796,236
Non-controlling interests		**46,485,994**	42,469,031
Total equity		**85,858,181**	78,265,267

Li Congrui
Director

Jiang Nan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 (note 37)	Capital reserve RMB'000 (note 39)	Asset revaluation reserve RMB'000 (note 39)	PRC statutory surplus reserve RMB'000 (note 39)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000 (note 39)	Share option reserve RMB'000 (note 39)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018		17,702,376	(1,995,790)	121,556	2,929,521	(781,425)	(79,713)	35,320	14,977,257	32,909,102	33,623,240	66,532,342
Profit for the year		–	–	–	–	–	–	–	5,210,888	5,210,888	2,165,836	7,376,724
Other comprehensive (loss)/income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	(1,381,226)	–	–	–	(1,381,226)	(120,501)	(1,501,727)
Net gain on hedges of net investments		–	–	–	–	–	3,083	–	–	3,083	–	3,083
Net loss on cash flow hedges		–	–	–	–	–	(44,189)	–	–	(44,189)	–	(44,189)
Net gains on property revaluation		–	–	12,971	–	–	–	–	–	12,971	–	12,971
Total comprehensive income for the year		–	–	12,971	–	(1,381,226)	(41,106)	–	5,210,888	3,801,527	2,045,335	5,846,862
Repurchase of shares		–	–	–	–	–	–	–	(88,011)	(88,011)	–	(88,011)
Issue of new shares		2,701,809	–	–	–	–	–	–	–	2,701,809	–	2,701,809
Issue of perpetual securities	36	–	–	–	–	–	–	–	–	–	4,047,516	4,047,516
Perpetual securities' distributions		–	–	–	–	–	–	–	–	–	(803,081)	(803,081)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	1,419,382	1,419,382
Final 2017 dividend declared		–	–	–	–	–	–	–	(1,700,592)	(1,700,592)	–	(1,700,592)
2018 interim dividend declared	11	–	–	–	–	–	–	–	(1,201,481)	(1,201,481)	–	(1,201,481)
Acquisition of non-controlling interests		–	(693,337)	–	–	–	–	–	–	(693,337)	(3,187,074)	(3,880,411)
Capital contribution from non-controlling shareholders		–	35,221	–	–	–	–	–	–	35,221	6,264,982	6,300,203
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(941,269)	(941,269)
Equity-settled share option arrangements	38	–	–	–	–	–	–	21,911	–	21,911	–	21,911
Exercise of share options		12,267	–	–	–	–	–	(2,180)	–	10,087	–	10,087
Transfer of share option reserve upon the forfeiture of share options		–	–	–	–	–	–	(3,364)	3,364	–	–	–
Transfer from retained profits		–	–	–	589,531	–	–	–	(589,531)	–	–	–
At 31 December 2018		20,416,452	(2,653,906)	134,527	3,519,052	(2,162,651)	(120,819)	51,687	16,611,894	35,796,236	42,469,031	78,265,267

		Attributable to owners of the parent										
	Notes	Share capital RMB'000 (note 37)	Capital reserve RMB'000 (note 39)	Asset revaluation reserve RMB'000 (note 39)	PRC statutory surplus reserve RMB'000 (note 39)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000 (note 39)	Share option reserve RMB'000 (note 39)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		20,416,452	(2,653,906)	134,527	3,519,052	(2,162,651)	(120,819)	51,687	16,611,894	35,796,236	42,469,031	78,265,267
Profit for the year		-	-	-	-	-	-	-	6,452,210	6,452,210	2,176,908	8,629,118
Other comprehensive (loss)/income for the year:												
Exchange differences on translation of foreign operations		-	-	-	-	(899,377)	-	-	-	(899,377)	(67,695)	(967,072)
Net gain on cash flow hedges		-	-	-	-	-	81,517	-	-	81,517	-	81,517
Net gains on property revaluation		-	-	51,995	-	-	-	-	-	51,995	-	51,995
Total comprehensive income for the year		-	-	51,995	-	(899,377)	81,517	-	6,452,210	5,686,345	2,109,213	7,795,558
Issue of new shares	37	724,385	-	-	-	-	-	-	-	724,385	-	724,385
Issue of perpetual securities	36	-	-	-	-	-	-	-	-	-	2,809,980	2,809,980
Redemption of perpetual securities	36	-	-	-	-	-	-	-	-	-	(2,000,000)	(2,000,000)
Perpetual securities' distributions		-	-	-	-	-	-	-	-	-	(1,002,256)	(1,002,256)
Acquisition of subsidiaries	41	-	-	-	-	-	-	-	-	-	793,305	793,305
Disposal of subsidiaries	42	-	-	-	-	-	-	-	-	-	(799,612)	(799,612)
De-registration of a subsidiary		-	-	-	-	-	-	-	-	-	(23,266)	(23,266)
Final 2018 dividend declared	11	-	-	-	-	-	-	-	(1,018,798)	(1,018,798)	-	(1,018,798)
2019 interim dividend declared	11	-	-	-	-	-	-	-	(1,273,730)	(1,273,730)	-	(1,273,730)
Acquisition of non-controlling interests		-	(728,574)	-	-	-	-	-	-	(728,574)	(3,319,940)	(4,048,514)
Capital contribution from non-controlling shareholders		-	12,513	-	-	-	-	-	-	12,513	6,381,155	6,393,668
Dividends declared to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(931,616)	(931,616)
Equity-settled share option arrangements	38	-	-	-	-	-	-	84,016	-	84,016	-	84,016
Exercise of share options	37	110,023	-	-	-	-	-	(20,229)	-	89,794	-	89,794
Transfer of share option reserve upon the forfeiture of share options		-	-	-	-	-	-	(2,545)	2,545	-	-	-
Transfer from retained profits		-	-	-	832,176	-	-	-	(832,176)	-	-	-
At 31 December 2019		21,250,860	(3,369,967)*	186,522*	4,351,228*	(3,062,028)*	(39,302)*	112,929*	19,941,945*	39,372,187	46,485,994	85,858,181

* These reserve accounts comprise the consolidated other reserves of RMB18,121,327,000 (2018: RMB15,379,784,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**12,824,101**	11,714,702
Adjustments for:			
Finance costs	7	**2,269,058**	2,420,573
Share of profits and losses of joint ventures and associates		**(589,737)**	(379,932)
Interest income	5	**(2,518,331)**	(1,626,025)
Other investment income	5	**(207,017)**	(130,135)
Loss on disposal of items of property, plant and equipment	6	**49**	1,213
Provision of impairment of trade receivables	6,23	**6,542**	3,701
Impairment of other receivables	6	**–**	1,322
Impairment of intangible assets	6,19	**–**	36
Fair value gains on investment properties	5,17	**(454,695)**	(189,380)
Fair value gains on transfers from properties held for sale to investment properties	5	**(356,045)**	(43,977)
Depreciation	6,13	**408,903**	369,426
Depreciation of right-of-use assets/recognition of prepaid land lease payments	6,18	**139,829**	54,270
Amortisation of intangible assets	6,19	**13,407**	10,755
Net gain on cash flow hedges	6	**(1,441)**	(955)
Net loss on net investment hedges	6	**–**	25,489
Gain on disposal of subsidiaries	5,42	**(1,018,026)**	(72,240)
Fair value gains on the equity interest previously held as investments in joint ventures or associates	5,41	**(346,240)**	(101,775)
Gain on bargain purchase	5,41	**(401,970)**	(74,992)
Equity-settled share option expense	6,38	**84,016**	21,911
		9,852,403	12,003,987
Increase in properties under development		**(42,049,365)**	(42,451,606)
Decrease in properties held for sale		**27,897,492**	17,306,989
Decrease in land under development		**214,031**	3,593,627
Increase in inventories		**(53,977)**	(42,360)
(Increase)/decrease in trade receivables		**(662,818)**	157,144
Increase in contract assets		**(112,509)**	(154,500)
(Increase)/decrease in prepayments, other receivables and other assets		**(7,802,689)**	3,654,996
Decrease/(increase) in amounts due from related parties		**6,005,321**	(5,087,003)
Increase in trade and bills payables		**7,462,607**	2,639,920
Increase in other payables and accruals		**6,705,242**	7,098,918
Increase in amounts due to related parties		**14,789,778**	8,727,578
Effect of exchange rate changes, net		**(288,278)**	(8,485)
Cash generated from operations		**21,957,238**	7,439,205
Interest received		**2,166,326**	845,734
PRC corporate income tax paid		**(2,278,165)**	(3,623,767)
Land appreciation tax paid		**(1,746,209)**	(2,649,312)
Net cash flows from operating activities		**20,099,190**	2,011,860

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		**207,017**	130,135
Purchases of items of property, plant and equipment		**(391,164)**	(423,008)
Proceeds from disposal of items of property, plant and equipment		**32,818**	6,362
Proceeds from disposal of intangible assets		**671**	10
Additions to investment properties	17	**(690,726)**	(1,134,558)
Additions to prepaid land lease payments		**–**	(8,315)
Additions to intangible assets	19	**(18,743)**	(24,522)
Decrease in other financial assets		**915,129**	4,986,240
Disposal of subsidiaries	42	**(108,904)**	(2,186,191)
Acquisition of subsidiaries	41	**208,546**	(26,095)
Dividends received from a joint venture		**820,000**	–
Investments in joint ventures		**(3,881,786)**	(4,894,897)
Investments in associates		**(1,593,775)**	(2,758,784)
Disposal of investment in an associate		**530,153**	–
Increase in loans to joint ventures and associates		**(7,911,294)**	(8,343,348)
(Increase)/decrease in loans to non-controlling shareholders		**(952,962)**	1,336,097
Increase in entrustment loans to a substantial shareholder		**(1,435,928)**	–
Decrease in entrustment loans to third parties		**1,389,728**	1,211,722
Advance of investment to third parties		**(440,591)**	(6,672,675)
Increase in long-term time deposits		**(3,300,000)**	–
Increase in restricted bank deposits		**(3,023,325)**	(765,236)
Settlement of derivative financial instruments – hedges of a net investment		**–**	(21,592)
Net cash flows used in investing activities		**(19,645,136)**	(19,588,655)

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares, net of issue expenses		**724,385**	2,701,809
Issue of perpetual securities, net of issue expenses		**2,809,980**	4,047,516
Repurchase of shares		**–**	(88,011)
New bank and other borrowings		**66,654,898**	72,153,832
Repayment of bank and other borrowings		**(61,481,355)**	(54,591,241)
Increase in long-term payables		**70,000**	–
Interest paid		**(6,397,572)**	(4,733,335)
Advance of investment from third parties		**4,100,367**	1,659,463
Principal portion of lease payments		**(78,394)**	–
Dividends paid		**(2,292,528)**	(2,902,073)
Dividends paid to non-controlling shareholders		**(966,350)**	(776,675)
Loans from non-controlling shareholders		**560,102**	1,605,025
Repayment of loans from non-controlling shareholders		**(7,726,819)**	(1,266,892)
Acquisition of non-controlling interests		**(4,048,514)**	(3,880,411)
Capital contribution from non-controlling shareholders		**6,393,668**	6,300,203
Proceeds from exercise of share options		**89,794**	10,087
Perpetual securities' distribution paid		**(1,002,256)**	(803,081)
Redemption of perpetual securities		**(2,000,000)**	–
Net cash flows (used in)/from financing activities		**(4,590,594)**	19,436,216
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,136,540)**	1,859,421
Cash and cash equivalents at beginning of year		**21,324,200**	19,406,553
Effect of foreign exchange rate changes, net		**7,042**	58,226
CASH AND CASH EQUIVALENTS AT END OF YEAR		**17,194,702**	21,324,200
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**17,056,997**	21,175,637
Non-pledged time deposits with original maturity of within three months when acquired		**109,105**	105,336
Non-pledged time deposits with original maturity of over three months when acquired with an option to withdraw upon demand similar to demand deposits		**28,600**	43,227
Cash and cash equivalents as stated in the statement of financial position	28	**17,194,702**	21,324,200

1. CORPORATE AND GROUP INFORMATION

China Jinmao Holdings Group Limited (formerly known as Franshion Properties (China) Limited) (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- city operations and property development
- commercial leasing and retail operations
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group Co., Ltd., a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai International Shipping Service Center Co., Ltd.*	The PRC/Mainland China	RMB3,150,000,000	50%	50%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/Mainland China	US$635,000,000	100%	–	Property development
Chongqing Xingqian Properties Development Co., Ltd.*	The PRC/Mainland China	RMB2,884,540,000	–	73%@	Property development
Jinmao Hangzhou Property Development Co., Ltd. ("Jinmao Hangzhou")*	The PRC/Mainland China	RMB3,200,000,000	–	100%	Property development
Nanjing Xingtuo Investment Co., Ltd.**	The PRC/Mainland China	RMB2,400,000,000	–	80%	Land development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Chemsunny Property Co., Ltd.***	The PRC/Mainland China	US$102,400,000	50%	50%	Property investment
Jinmao (China) Hotel Investments and Management Limited ("JCHIML")^	Cayman Islands/Hong Kong	HK$2,000,000	66.77%	–	Investment holding
Wangfujing Hotel Management Co., Ltd.***	The PRC/Mainland China	US$73,345,000	–	66.77%	Hotel operation
China Jin Mao Group Co., Ltd.***	The PRC/Mainland China	RMB2,635,000,000	–	66.77%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd.**	The PRC/Mainland China	RMB1,600,000,000	–	66.77%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd.**	The PRC/Mainland China	RMB300,000,000	–	66.77%	Hotel operation
Jin Mao Sanya Tourism Co., Ltd.**	The PRC/Mainland China	RMB500,000,000	–	66.77%	Hotel operation
Jin Mao Shenzhen Hotel Investment Co., Ltd.**	The PRC/Mainland China	RMB700,000,000	–	66.77%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/Mainland China	RMB100,000,000	–	66.77%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited***	The PRC/Mainland China	US$600,000,000	–	100%	Property development
Jin Mao Investment (Changsha) Co., Ltd.**	The PRC/Mainland China	RMB3,750,000,000	–	80%	Land development
Franshion Brilliant Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Franshion Properties (Suzhou) Limited***	The PRC/Mainland China	US$395,000,000	–	100%	Property development
Guangzhou Xingtuo Properties Limited*	The PRC/Mainland China	RMB260,000,000	–	90%	Property development
Changsha Jinmao City Construction Limited**	The PRC/Mainland China	RMB2,962,500,000	–	100%	Land development
Shanghai Jin Mao Economic Development Company Ltd.**	The PRC/Mainland China	RMB30,000,000	–	100%	Property development
Jinmao Assets Management Limited Partnership	Cayman Islands/Hong Kong	RMB11,811,608,710	95%	5%	Property investment
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao")**	The PRC/Mainland China	RMB4,500,000,000	–	26.5%$	Property development
Ningbo Xingmao Property Development Co., Ltd.***	The PRC/Mainland China	US$200,000,000	–	100%	Property development
Shanghai Franshion Development Co., Ltd.**	The PRC/Mainland China	RMB7,000,000,000	–	90%	Property development
Nanjing Runmao Property Development Co., Ltd. ("Nanjing Runmao")**	The PRC/Mainland China	RMB3,000,000,000	–	27.5%#	Property development
Beijing Franshion Tuoying Property Development Co., Ltd.**	The PRC/Mainland China	RMB10,000,000	–	100%	Property development
Foshan Maoxing Property Development Co., Ltd.**	The PRC/Mainland China	RMB820,000,000	–	65%	Property development
Beijing Jinfeng Property Development Co., Ltd.**	The PRC/Mainland China	RMB11,112,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

* Registered as Sino-foreign joint ventures under PRC law.
** Registered as limited liability companies under PRC law.
*** Registered as wholly-foreign-owned entities under PRC law.
^ Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel and are listed on the Main Board of the Stock Exchange of Hong Kong Limited. JCHIML and its subsidiaries are collectively referred to as the JCHIML Group.
@ This entity is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.
\# The Group is entitled to 57.5% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.
$ The Group is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.

The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and other financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

    The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts mainly for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impact on transition **(Continued)**

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	1,618,962
Decrease in prepaid land lease payments	(1,458,246)
Decrease in prepayments, other receivables and other assets	(64,712)
Increase in deferred tax assets	24,001
Increase in total assets	120,005
Liabilities	
Increase in lease liabilities	96,004
Increase in deferred tax liabilities	24,001
Increase in total liabilities	120,005

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	101,073
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	98,391
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(2,387)
Lease liabilities as at 1 January 2019	96,004

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint operations (Continued)

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and certain financial assets at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, land under development, properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 9.5%
Leasehold improvements	18% – 20%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to the statement of profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 70 years
Office properties and staff quarters	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

***Group as a lessee* (Continued)**

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor **(Continued)**

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host: a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative: and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

***General approach* (Continued)**

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, interest-bearing bank and other borrowings, lease liabilities, long-term payables, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

***Subsequent measurement* (Continued)**

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

Current versus non-current classification **(Continued)**

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of completed properties*

Revenue from the sale of completed properties is recognised at the point in time when control of the asset is transferred to the customer, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has obtained the right to payment and the collection of the consideration is probable;

(b) *Land development*

Revenue from land development is recognised at the point in time when control of the asset is transferred to the customers, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

***Revenue from contracts with customers* (Continued)**

(c) *Hotel operations*

Hotel and other service income is recognised in the period in which such services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group;

(d) *Property management services*

Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group;

(e) *Design and decoration services*

Revenue from the provision of design and decoration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the design and decoration services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract costs

Other than the costs which are capitalised as properties under development, land under development, inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 38 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate of 4.75% has been applied to the expenditure on the group level.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, while the Company's functional currency is HK$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and subsidiaries operating outside Mainland China are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rate ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arises throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables and contract assets **(Continued)**

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 23 and note 25 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2019 was RMB31,260,683,000 (2018: RMB29,205,862,000). Further details, including the key assumptions used for the fair value measurement, are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Measurement of properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. The carrying amount of properties under development at 31 December 2019 was RMB126,124,250,000 (2018: RMB98,599,092,000). Further details are given in note 14 to the financial statements.

Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Costs of land under development during the construction stage, before the final settlement of the development costs and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2019 was RMB12,695,815,000 (2018: RMB12,671,193,000). Further details are given in note 15 to the financial statements.

Estimation of net realisable value for properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amounts of properties held for sale at 31 December 2019 were RMB11,783,581,000 (2018: RMB8,991,061,000). Further details are given in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was RMB710,968,000 (2018: RMB360,907,000). The amount of unrecognised tax losses at 31 December 2019 was RMB3,091,488,000 (2018: RMB3,414,677,000). Further details are contained in note 35 to the financial statements.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2019 was RMB2,574,720,000 (2018: RMB1,697,365,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2019 was RMB3,290,135,000 (2018: RMB2,680,888,000). Further details are given in note 34 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the city operations and property development segment develops city complexes and properties and develops land;

(b) the commercial leasing and retail operations segment leases office and retail commercial premises;

(c) the hotel operations segment provides hotel accommodation services, food and beverage; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, and the operation of an observation deck.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income, non-lease-related finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude derivative financial instruments, deferred tax assets, prepaid tax, restricted bank balances, cash and cash equivalents, certain financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

The Group's operations are mainly conducted in Mainland China. Management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019	City operations and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue: (Note 5)					
Sales to external customers	37,721,403	1,446,776	1,967,118	2,220,644	43,355,941
Intersegment sales	152,628	88,848	–	801,947	1,043,423
	37,874,031	1,535,624	1,967,118	3,022,591	44,399,364
Reconciliation:					
Elimination of intersegment sales					(1,043,423)
Total revenue					43,355,941
Segment results	11,196,591	1,371,902	228,749	279,108	13,076,350
Reconciliation:					
Elimination of intersegment results					(523,763)
Interest income					2,518,331
Other investment income					207,017
Corporate and other unallocated expenses					(192,206)
Finance costs (other than interest on lease liabilities)					(2,261,628)
Profit before tax					12,824,101
Segment assets	312,652,705	47,245,064	12,759,946	5,775,204	378,432,919
Reconciliation:					
Elimination of intersegment assets					(148,060,146)
Corporate and other unallocated assets					95,775,754
Total assets					326,148,527
Segment liabilities	210,438,527	18,101,539	7,139,122	4,356,898	240,036,086
Reconciliation:					
Elimination of intersegment liabilities					(140,927,546)
Corporate and other unallocated liabilities					141,181,806
Total liabilities					240,290,346
Other segment information:					
Share of profits of joint ventures	721,561	–	–	829	722,390
Share of profits of associates	(132,653)	–	–	–	(132,653)
Depreciation and amortisation	109,163	40,881	372,878	39,217	562,139
Loss/(gain) on disposal of items of property, plant and equipment	173	(6,267)	6,053	90	49
Impairment losses recognised in the statement of profit or loss, net	–	3,222	252	3,068	6,542
Fair value gains on investment properties	–	454,695	–	–	454,695
Fair value gains on transfer from properties held for sale to investment properties	–	356,045	–	–	356,045
Investments in associates	11,480,429	–	–	30,956	11,511,385
Investments in joint ventures	7,597,657	–	–	–	7,597,657
Capital expenditure*	212,967	706,185	198,436	135,145	1,252,733

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, and investment properties including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018	City operations and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue: (Note 5)					
Sales to external customers	33,734,165	1,449,822	2,047,913	1,500,767	38,732,667
Intersegment sales	105,379	15,350	–	602,142	722,871
	33,839,544	1,465,172	2,047,913	2,102,909	39,455,538
Reconciliation:					
Elimination of intersegment sales					(722,871)
Total revenue					38,732,667
Segment results	11,356,837	940,796	228,898	121,621	12,648,152
Reconciliation:					
Elimination of intersegment results					(395,838)
Interest income					1,626,025
Other investment income					130,135
Corporate and other unallocated expenses					126,801
Finance costs					(2,420,573)
Profit before tax					11,714,702
Segment assets	214,973,870	35,145,641	12,802,867	2,665,327	265,587,705
Reconciliation:					
Elimination of intersegment assets					(105,150,339)
Corporate and other unallocated assets					111,200,877
Total assets					271,638,243
Segment liabilities	133,020,296	5,886,094	7,113,694	1,385,329	147,405,413
Reconciliation:					
Elimination of intersegment liabilities					(97,360,213)
Corporate and other unallocated liabilities					143,327,776
Total liabilities					193,372,976
Other segment information:					
Share of profits of joint ventures	366,757	–	–	2,426	369,183
Share of profits of associates	10,749	–	–	–	10,749
Depreciation and amortisation	28,387	35,874	299,233	16,687	380,181
Recognition of prepaid land lease payments	–	–	54,112	158	54,270
(Gain)/loss on disposal of items of property, plant and equipment	(91)	426	799	79	1,213
Impairment losses recognised in the statement of profit or loss	36	(373)	641	4,755	5,059
Fair value gains on investment properties	–	189,380	–	–	189,380
Fair value gains on transfer from properties held for sale to investment properties	–	43,977	–	–	43,977
Investments in associates	6,698,667	–	–	–	6,698,667
Investments in joint ventures	7,313,800	–	–	32,801	7,346,601
Capital expenditure	213,038	1,170,810	115,096	12,714	1,511,658

Information about major customers

During the year, there was no revenue from a single customer which accounted for 10% or more of the Group's revenue (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	41,909,165	37,282,845
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	6,959	N/A
Other lease payments, including fixed payments	1,439,817	N/A
	1,446,776	1,449,822
	43,355,941	38,732,667

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	City operations and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Type of goods or services				
Sale of completed properties	33,430,413	–	–	33,430,413
Land development	4,290,990	–	–	4,290,990
Hotel operations	–	1,967,118	–	1,967,118
Others	–	–	2,220,644	2,220,644
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165
Timing of revenue recognition				
Goods transferred at a point of time	37,721,403	–	–	37,721,403
Services transferred over time	–	1,967,118	2,220,644	4,187,762
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) ***Disaggregated revenue information*** **(Continued)**

For the year ended 31 December 2018

Segments	City operations and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Type of goods or services				
Sale of completed properties	25,592,335	–	–	25,592,335
Land development	8,141,830	–	–	8,141,830
Hotel operations	–	2,047,913	–	2,047,913
Others	–	–	1,500,767	1,500,767
Total revenue from contracts with customers	33,734,165	2,047,913	1,500,767	37,282,845
Timing of revenue recognition				
Goods transferred at a point of time	33,734,165	–	–	33,734,165
Services transferred over time	–	2,047,913	1,500,767	3,548,680
Total revenue from contracts with customers	33,734,165	2,047,913	1,500,767	37,282,845

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	City operations and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	37,721,403	1,967,118	2,220,644	41,909,165
Intersegment sales	152,628	–	801,947	954,575
	37,874,031	1,967,118	3,022,591	42,863,740
Intersegment adjustments and eliminations	(152,628)	–	(801,947)	(954,575)
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) *Disaggregated revenue information* (Continued)

For the year ended 31 December 2018

Segments	City operations and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	33,734,165	2,047,913	1,500,767	37,282,845
Intersegment sales	105,379	–	602,142	707,521
	33,839,544	2,047,913	2,102,909	37,990,366
Intersegment adjustments and eliminations	(105,379)	–	(602,142)	(707,521)
Total revenue from contracts with customers	33,734,165	2,047,913	1,500,767	37,282,845

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of completed properties	**21,302,227**	13,466,027
Land development	**–**	2,041,495
Hotel operations	**81,883**	90,642
Others	**8,251**	26,209
	21,392,361	15,624,373

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of completed properties

The performance obligation is satisfied upon delivery of the completed properties.

Land development

The performance obligation is satisfied when the land development is completed.

Hotel operations

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the services.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) ***Performance obligations*** **(Continued)**

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

Design and decoration services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

	Notes	2019 RMB'000	2018 RMB'000
Other income			
Interest income		**2,518,331**	1,626,025
Other investment income		**207,017**	130,135
Government grants*		**58,050**	58,984
Default penalty income		**22,298**	7,340
		2,805,696	1,822,484
Gains			
Fair value gains on investment properties	17	**454,695**	189,380
Fair value gains on transfers from properties held for sale to investment properties		**356,045**	43,977
Gain on bargain purchase	41	**401,970**	74,992
Gain on disposal of subsidiaries	42	**1,018,026**	72,240
Fair value gains on the equity interest previously held as investments in joint ventures or associates		**346,240**	101,775
Foreign exchange gain, net	6	**50,780**	114,003
Gain on disposal of investments in joint ventures and associates		**322,454**	–
Others		**356,197**	303,542
		3,306,407	899,909
		6,112,103	2,722,393

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 RMB'000	2018 RMB'000
Cost of properties sold		**25,140,050**	17,619,523
Cost of land development		**2,477,754**	4,085,552
Cost of services provided		**2,973,394**	2,489,377
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**216,152**	194,494
Depreciation of property, plant and equipment	13	**408,903**	369,426
Depreciation of right-of-use assets (2018: recognition of prepaid land lease payments)	18(a), 18(b)	**139,829**	54,270
Amortisation of intangible assets	19	**13,407**	10,755
Minimum lease payments under operating leases		**–**	76,751
Lease payments not included in the measurement of lease liabilities	18(d)	**14,187**	–
Auditor's remuneration		**7,038**	6,004
Employee benefit expense (including directors' and chief executive's remuneration (note (8)):			
Wages and salaries		**2,159,835**	1,603,425
Equity-settled share option expense	38	**84,016**	21,911
Pension scheme contributions (defined contribution schemes)		**166,488**	152,968
Less: Amount capitalised		**(42,157)**	(26,679)
Net pension scheme contributions*		**124,331**	126,289
		2,368,182	1,751,625
Foreign exchange differences, net	5	**(50,780)**	(114,003)
Loss on disposal of items of property, plant and equipment**		**49**	1,213
Provision of impairment of trade receivables**	23	**6,542**	3,701
Impairment of financial assets included in prepayments, other receivables and other assets**		**–**	1,322
Ineffectiveness and hedging cost of cash flow hedges		**(1,441)**	(955)
Ineffectiveness and hedging cost of net investment hedges		**–**	25,489
Gain on bargain purchase***	41	**(401,970)**	(74,992)
Impairment of intangible assets	19	**–**	36

* At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

** These items are included in "Other expenses and losses, net" in the consolidated statement of profit or loss.

*** Gain on bargain purchase is included in "Other income and gains" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank and other loans, notes and bonds	**6,325,733**	5,217,824
Interest on an amount due to fellow subsidiaries (note 46(a))	**116,745**	38,619
Interest on an amount due to the immediate holding company (note 46(a))	**278,928**	121,115
Interest on an amount due to an intermediate holding company (note 46(a))	**91,927**	–
Interest on an amount due to associates (note 46(a))	**5,745**	11
Interest on an amount due to joint ventures (note 46(a))	**48,461**	–
Interest on an amount due to the substantial shareholder (note 46(a))	**46,487**	–
Interest on lease liabilities (note 18(c))	**7,430**	–
Total interest expense	**6,921,456**	5,377,569
Less: Interest capitalised	**(4,652,398)**	(2,956,996)
	2,269,058	2,420,573

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Fees	**1,215**	1,167
Other emoluments:		
Salaries, allowances and benefits in kind	**9,622**	9,377
Bonuses*	**28,438**	23,475
Equity-settled share option expense	**3,024**	747
Pension scheme contributions	**1,401**	1,260
	42,485	34,859
	43,700	36,026

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 38 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

Mr. Lau Hon Chuen, Ambrose, Mr. Su Xijia, and Mr. Gao Shibin are independent non-executive directors of the Company, and the fees paid to them during the year were RMB405,000 (2018: RMB389,000), RMB405,000 (2018: RMB389,000), and RMB405,000 (2018: RMB389,000), respectively.

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors, non-executive directors and the chief executive

Executive directors

i. Mr. Li Congrui is the chief executive officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2018: Nil), salaries, allowances and benefits in kind of RMB3,339,000 (2018: RMB3,163,000), performance related bonuses of RMB5,833,000 (2018: RMB5,139,000), special bonuses of RMB7,701,000 (2018: RMB6,344,000), equity-settled share option expense of RMB1,008,000 (2018: RMB249,000), and pension scheme contributions of RMB523,000 (2018: RMB493,000).

ii. Mr. Jiang Nan is the chief financial officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2018: Nil), salaries, allowances and benefits in kind of RMB3,336,000 (2018: RMB3,121,000), performance related bonuses of RMB4,258,000 (2018: RMB3,726,000), special bonuses of RMB2,695,000 (2018: RMB2,115,000), equity-settled share option expense of RMB1,008,000 (2018: RMB249,000), and pension scheme contributions of RMB437,000 (2018: RMB422,000).

iii. Mr. Song Liuyi is the executive director of the Company. The remuneration paid to him during the year included fees of RMB0 (2018: Nil), salaries, allowances and benefits in kind of RMB2,947,000 (2018: RMB3,093,000), performance related bonuses of RMB5,063,000 (2018: RMB4,036,000), special bonuses of RMB2,888,000 (2018: RMB2,115,000), equity-settled share option expense of RMB1,008,000 (2018: RMB249,000), and pension scheme contributions of RMB441,000 (2018: RMB345,000).

Non-executive directors

i. Mr. Ning Gaoning is the chairman and non-executive director of the Company. There was no remuneration paid to him during the year (2018: Nil).

ii. Mr. Yang Lin and Mr. An Hongjun are non-executive directors of the Company. There were no remuneration paid to them during the year (2018: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2018: three directors including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the five highest paid employees of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**14,132**	14,457
Bonuses	**39,637**	33,116
Equity-settled share option expense	**5,040**	1,246
Pension scheme contributions	**2,760**	1,872
	61,569	50,691

The number of five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$8,500,001 to HK$9,000,000	–	1
HK$9,500,001 to HK$10,000,000	**1**	1
HK$11,000,001 to HK$11,500,000	–	1
HK$11,500,001 to HK$12,000,000	**1**	1
HK$13,000,001 to HK$13,500,000	**1**	–
HK$14,000,001 to HK$14,500,000	**1**	–
HK$18,000,001 to HK$18,500,000	–	1
HK$20,500,001 to HK$21,000,000	**1**	–
	5	5

In prior years, share options were granted to three non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 38 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	Notes	2019 RMB'000	2018 RMB'000
Current			
PRC corporate income tax			
Charge for the year		**2,790,958**	3,184,808
(Overprovision)/underprovision in prior years		**(4,225)**	824
PRC land appreciation tax	34	**1,855,576**	1,467,896
		4,642,309	4,653,528
Deferred	35	**(447,326)**	(315,550)
Total tax charge for the year		**4,194,983**	4,337,978

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2018: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge for the year at the effective tax rates is as follows:

10. INCOME TAX (Continued)

2019

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax	324,989	12,499,112	12,824,101
Tax at the statutory income tax rate	53,623	3,124,778	3,178,401
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	45,179	–	45,179
Adjustment in respect of current tax of previous periods	–	(4,225)	(4,225)
Profits and losses attributable to joint ventures and associates	–	(147,434)	(147,434)
Income not subject to tax	(82,638)	(337,989)	(420,627)
Expenses not deductible for tax	29,015	260,623	289,638
Tax losses utilised from previous periods	–	(334,253)	(334,253)
Tax losses not recognised	–	196,622	196,622
LAT (note 34)	–	1,855,576	1,855,576
Tax effect of LAT	–	(463,894)	(463,894)
Tax charge for the year	45,179	4,149,804	4,194,983

2018

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
(Loss)/profit before tax	(1,350,177)	13,064,879	11,714,702
Tax at the statutory income tax rate	(222,779)	3,266,220	3,043,441
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	39,027	–	39,027
Adjustment in respect of current tax of previous periods	–	824	824
Profits and losses attributable to joint ventures and associates	–	(94,983)	(94,983)
Income not subject to tax	(7,307)	(93,689)	(100,996)
Expenses not deductible for tax	230,086	70,913	300,999
Tax losses utilised from previous periods	–	(120,644)	(120,644)
Tax losses not recognised	–	169,388	169,388
LAT (note 34)	–	1,467,896	1,467,896
Tax effect of LAT	–	(366,974)	(366,974)
Tax charge for the year	39,027	4,298,951	4,337,978

The share of tax attributable to joint ventures and associates amounting to RMB247,615,000 (2018: share of tax credit of RMB162,475,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Interim – HK12.0 cents (2018 special interim dividend: HK12.0 cents) per ordinary share	**1,273,730**	1,201,481
Proposed final – HK11.0 cents (2018: HK10.0 cents) per ordinary share	**1,168,031**	988,589

The actual amount of the 2018 final dividend paid during the year ended 31 December 2019 was RMB1,018,798,000.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 11,650,154,307 (2018: 11,507,083,785) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of the Group's share options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**6,452,210**	5,210,888

	Number of shares 2019	 2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**11,650,154,307**	11,507,083,785
Effect of dilution – weighted average number of ordinary shares:		
Share options	**52,775,198**	57,157,787
	11,702,929,505	11,564,241,572

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
Cost	8,760,057	19,569	570,554	2,046,108	59,454	2,338,375	13,794,117
Accumulated depreciation and impairment	(1,717,879)	(19,551)	(103,458)	(1,178,884)	(45,242)	–	(3,065,014)
Net carrying amount	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
At 1 January 2019, net of accumulated depreciation and impairment	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
Additions	17,605	1,364	265	143,904	1,249	223,680	388,067
Disposals	(4,231)	(1)	(93)	(1,533)	(180)	(26,829)	(32,867)
Depreciation provided during the year (note 6)	(217,610)	(483)	(40,440)	(146,810)	(3,560)	–	(408,903)
Acquisition of subsidiaries (note 41)	–	–	–	80,719	133	73,802	154,654
Disposal of subsidiaries (note 42)	–	–	–	(892)	(142)	–	(1,034)
Gain on properties revaluation in relation to the transfer to investment properties	67,983	–	1,344	–	–	–	69,327
Transfer from properties under development (note 14)	–	–	111,330	–	–	–	111,330
Transfer to investment properties (note 17)	(91,409)	–	(7,340)	(6)	–	–	(98,755)
Transfers	(57,825)	–	–	90,143	–	(32,318)	–
Exchange realignment	–	–	–	2	–	–	2
At 31 December 2019, net of accumulated depreciation and impairment	6,756,691	898	532,162	1,032,751	11,712	2,576,710	10,910,924
At 31 December 2019:							
Cost	8,752,464	20,903	675,623	2,293,037	58,389	2,576,710	14,377,126
Accumulated depreciation and impairment	(1,995,773)	(20,005)	(143,461)	(1,260,286)	(46,677)	–	(3,466,202)
Net carrying amount	6,756,691	898	532,162	1,032,751	11,712	2,576,710	10,910,924

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	9,012,908	19,569	584,254	1,667,217	63,030	2,217,310	13,564,288
Accumulated depreciation and impairment	(1,481,160)	(19,551)	(97,877)	(1,082,632)	(44,276)	–	(2,725,496)
Net carrying amount	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792
At 1 January 2018, net of accumulated depreciation and impairment	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792
Additions	17,576	–	12,327	59,505	2,651	255,435	347,494
Disposals	(35,634)	–	(4,451)	(1,889)	(974)	(34,838)	(77,786)
Depreciation provided during the year (note 6)	(236,719)	–	(18,852)	(109,306)	(4,549)	–	(369,426)
Acquisition of subsidiaries	–	–	–	1,649	–	–	1,649
Disposal of subsidiaries (note 42)	–	–	–	(2,886)	(433)	–	(3,319)
Gain on properties revaluation in relation to the transfer to investment properties	–	–	17,295	–	–	–	17,295
Transfer to investment properties (note 17)	–	–	(37,750)	–	–	–	(37,750)
Transfer from investment properties (note 17)	–	–	12,150	–	–	–	12,150
Transfers	(234,793)	–	–	335,562	(1,237)	(99,532)	–
Exchange realignment	–	–	–	4	–	–	4
At 31 December 2018, net of accumulated depreciation and impairment	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
At 31 December 2018:							
Cost	8,760,057	19,569	570,554	2,046,108	59,454	2,338,375	13,794,117
Accumulated depreciation and impairment	(1,717,879)	(19,551)	(103,458)	(1,178,884)	(45,242)	–	(3,065,014)
Net carrying amount	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103

At 31 December 2019, certain of the Group's hotel properties and buildings, construction in progress included in property, plant and equipment with an aggregate net carrying amount of approximately RMB297,415,000 (2018: RMB310,974,000) were pledged to secure bank loans granted to the Group (note 33).

14. PROPERTIES UNDER DEVELOPMENT

	Notes	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January		**98,599,092**	66,533,773
Additions		**46,463,109**	45,018,863
Transfer to properties held for sale		**(20,727,217)**	(14,525,556)
Transfer to property, plant and equipment	13	**(111,330)**	–
Acquisition of subsidiaries	41	**9,996,192**	12,993,213
Disposal of subsidiaries	42	**(8,095,596)**	(11,421,201)
Carrying amount at 31 December		**126,124,250**	98,599,092
Current portion		**(61,278,865)**	(48,471,834)
Non-current portion		**64,845,385**	50,127,258

At 31 December 2019, certain of the Group's properties included in properties under development with a net carrying amount of approximately RMB50,243,236,000 (2018: RMB44,927,739,000) were pledged to secure bank loans granted to the Group (note 33).

15. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**12,671,193**	15,875,080
Additions	**2,729,635**	1,756,445
Recognised during the year	**(2,705,013)**	(4,960,332)
Carrying amount at 31 December	**12,695,815**	12,671,193
Current portion	**(1,990,602)**	(3,099,645)
Non-current portion	**10,705,213**	9,571,548

16. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at the lower of cost and net realisable value. The Group's properties held for sale are situated in Mainland China.

At 31 December 2019, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately RMB132,501,000 (2018: RMB140,784,000) were pledged to secure bank loans granted to the Group (note 33).

17. INVESTMENT PROPERTIES

	Notes	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January		**29,205,862**	27,812,347
Additions		**690,726**	1,134,558
Transfer from properties held for sale		**808,710**	43,977
Net gain from a fair value adjustment	5	**454,695**	189,380
Transfer from property, plant and equipment	13	**98,755**	37,750
Transfer from right-of-use assets	18(b)	**1,935**	–
Transfer to property, plant and equipment	13	**–**	(12,150)
Carrying amount at 31 December		**31,260,683**	29,205,862

The Group's investment properties consist of 17 commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. Sixteen of the Group's investment properties were revalued individually on 31 December 2019 based on valuations performed by Cushman & Wakefield Limited (formerly known as DTZ Debenham Tie Leung Limited), Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

As at 31 December 2019, one of the Group's investment properties was a right-of-use asset relating to a building which will be leased out under one or more operating leases. This investment property was valued at approximately RMB98,741,000 as at 31 December 2019 by the Group's management.

These investment properties are leased under operating leases, further summary details of which are included in note 18 to the financial statements.

At 31 December 2019, certain of the Group's investment properties with a carrying value of RMB12,902,640,000 (2018: RMB12,688,153,000) were pledged to secure bank loans granted to the Group (note 33).

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	**42,100**	**31,218,583**	**31,260,683**

	Fair value measurement as at 31 December 2018 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	47,800	29,158,062	29,205,862

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2018	27,764,677
Additions	1,134,558
Transfer from properties held for sale	43,977
Net gain from a fair value adjustment	189,250
Transfer from property, plant and equipment	37,750
Transfer to property, plant and equipment	(12,150)
Carrying amount at 31 December 2018 and 1 January 2019	29,158,062
Additions	690,726
Transfer from properties held for sale	808,710
Transfer from right-of-use assets	1,935
Net gain from a fair value adjustment	460,395
Transfer from property, plant and equipment	98,755
Carrying amount at 31 December 2019	31,218,583

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2019	2018
Property 1 – Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield	**5.50%**	6.00%
		Reversionary yield	**6.00%**	6.50%
		Market rent (per square metre ("sqm") per annum ("p.a."))	**RMB5,347 – RMB9,726**	RMB5,292 – RMB9,732
Property 2 – Sinochem Tower	Term and reversion method	Term yield	**3.00% – 5.50%**	3.00% – 5.50%
		Reversionary yield	**3.50% – 6.00%**	3.50% – 6.00%
		Market rent (per sqm p.a.)	**RMB3,166 – RMB9,600**	RMB2,988 – RMB9,840
Property 3 – Jin Mao Tower	Term and reversion method	Term yield	**3.50% – 4.50%**	3.50% – 4.50%
		Reversionary yield	**4.00% – 5.00%**	4.00% – 5.00%
		Market rent (per sqm p.a.)	**RMB4,619 – RMB12,000**	RMB4,224 – RMB12,000
Property 4 – Zhuhai Every Garden	Term and reversion method	Term yield	**5.00% – 6.25%**	5.50% – 6.25%
		Reversionary yield	**5.50% – 6.50%**	6.00% – 6.50%
		Market rent (per sqm p.a.)	**RMB518 – RMB720**	RMB516 – RMB744
Property 5 – Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield	**3.50% – 4.50%**	3.50% – 4.50%
		Reversionary yield	**4.00% – 5.00%**	4.00% – 5.00%
		Market rent (per sqm p.a.)	**RMB2,160 – RMB7,560**	RMB2,088 – RMB7,440

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2019	2018
Property 6 – Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.)	**RMB1,018**	RMB657
		Rental growth p.a.	**0.00% – 3.00% (3.00%)**	0.00% – 3.00% (3.00%)
		Long term vacancy rate	**8.22%**	4.11%
		Discount rate	**6.00%**	6.00%
Property 7 – Lijiang J • LIFE	Term and reversion method	Term yield	**5.50%**	5.50%
		Reversionary yield	**5.50%**	6.00%
		Market rent (per sqm p.a.)	**RMB1,044**	RMB1,284
Property 8 – Shanghai International Shipping Service Center	Market comparable method	Price per sqm	**RMB57,194 – RMB90,275**	RMB57,057
Property 9 – Qingdao Jinmao Harbour Shopping Center	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB1,644**	RMB1,632
Property 10 – Ningbo Jiayuan Plaza	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB684 – RMB5,040**	RMB672 – RMB4,800
Property 11 – Ningbo Huijin Building	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB875 – RMB5,040**	RMB880 – RMB4,800
Property 12 – Changsha Jinmao Mall of Splendor	Discounted cash flow method	Estimated rental value (per sqm p.a.)	**RMB1,201**	RMB1,201
		Rental growth p.a.	**3.00%**	3.61%
		Long term vacancy rate	**5.00%**	5.00%
		Discount rate	**6.76%**	6.00%
Property 13 – Beijing Chaoyang Jinmao Centre Project	Residual method	Developer's profit rate	**5.00%**	5.00%
	Term and reversion method	Reversionary yield	**5.00% – 5.50%**	5.00% – 5.50%
		Market rent (per sqm p.a.)	**RMB2,280 – RMB3,600**	RMB2,280 – RMB3,600
Property 14 – Nanjing Southern Hexi Yuzui Land Parcel No. G97	Residual method	Developer's profit rate	**5.00%**	5.00%
	Term and reversion method	Reversionary yield	**3.00% – 6.00%**	3.00% – 6.00%
		Market rent (per sqm p.a.)	**RMB1,680 – RMB2,544**	RMB1,680 – RMB2,544
Property 15 – Hangzhou Shangtang Project	Residual method	Developer's profit rate	**5.00%**	5.00%
	Term and reversion method	Reversionary yield	**2.00%**	2.00%
		Market rent (per sqm p.a.)	**RMB1,392**	RMB1,392
Property 16 – Wangfujing Quadrangle Courtyard	Term and reversion method	Term yield	**4.00%**	NA
		Reversionary yield	**4.50%**	NA
		Market rent (per sqm p.a.)	**RMB6,180**	NA
Property 17 – Jinmao Boill e-Wisdom Valley Executive Apartment	Term and reversion method	Term yield	**4.84%**	NA
		Reversionary yield	**4.84%**	NA
		Market rent (per sqm p.a.)	**RMB665**	NA

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase (decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent would result in a significant increase (decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method, a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis".

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The market comparable method is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase (decrease) in the price per square metre would result in a significant increase (decrease) in the fair value of the investment properties.

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to the Group by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by the relevant parties will also be considered.

A significant increase (decrease) in the developer's profit rate would result in a significant decrease (increase) in the fair value of the investment properties.

18. LEASES

The Group as a lessee

The Groups lease certain of office properties, staff quarters and an operating property under operating lease arrangements. Leases for office properties and staff quarters are negotiated for terms ranging from one to six years. The lease for the operating property is negotiated for a term of fifteen years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 70 years, and no ongoing payments will be made under the terms of these land leases.

(a) Prepaid land lease payments (before 1 January 2019)

	Notes	RMB'000
Carrying amount at 1 January 2018		1,561,118
Additions		5,084
Recognised in profit or loss during the year	6	(54,270)
Carrying amount at 31 December 2018		1,511,932
Current portion included in prepayments, other receivables and other assets	24	(53,686)
Non-current portion		1,458,246

18. LEASES (Continued)

The Group as a lessee (Continued)

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	Office properties and staff quarters RMB'000	Total RMB'000
As at 1 January 2019	1,511,932	107,030	1,618,962
Additions	–	116,418	116,418
Additions as a result of acquisition of subsidiaries (note 41)	10,521	10,169	20,690
Transfer to investment properties (note 17)	(1,935)	–	(1,935)
Depreciation charge	(54,567)	(85,262)	(139,829)
As at 31 December 2019	1,465,951	148,355	1,614,306

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of RMB142,871,000 (2018: prepaid land lease payments of RMB148,976,000) were pledged to secure bank loans granted to the Group (note 33).

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	96,004
New leases	169,143
Additions as a result of acquisition of subsidiaries (note 41)	8,856
Accretion of interest recognised during the year (note 7)	7,430
Payments	(85,824)
Carrying amount at 31 December	195,609
Analysed into	
Current portion	75,244
Non-current portion	120,365

The maturity analysis of lease liabilities is disclosed in note 49 to the financial statements.

18. LEASES (Continued)

The Group as a lessee (Continued)

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	7,430
Depreciation charge of right-of-use assets	139,829
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	6,666
Expense relating to leases of low-value assets (included in administrative expenses)	7,521
Total amount recognised in profit or loss	**161,446**

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 43(c) and 45, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 17) consisting of 17 commercial properties in Mainland China under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB1,446,776,000 (2018: RMB1,449,822,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	1,330,942	1,267,228
After one year but within two years	930,780	1,071,923
After two years but within three years	396,793	623,150
After three years but within four years	176,569	166,558
After four years but within five years	133,390	133,314
After five years	222,615	313,302
	3,191,089	3,575,475

19. INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2019	
At 1 January 2019:	
Cost	**129,244**
Accumulated amortisation and impairment	**(84,429)**
Net carrying amount	**44,815**
Cost at 1 January 2019, net of accumulated amortisation and impairment	**44,815**
Additions	**18,743**
Acquisition of subsidiaries (note 41)	**543**
Disposals	**(671)**
Amortisation provided during the year (note 6)	**(13,407)**
At 31 December 2019	**50,023**
At 31 December 2019:	
Cost	**150,611**
Accumulated amortisation and impairment	**(100,588)**
Net carrying amount	**50,023**

	Computer software RMB'000
31 December 2018	
At 1 January 2018:	
Cost	104,894
Accumulated amortisation and impairment	(73,644)
Net carrying amount	31,250
Cost at 1 January 2018, net of accumulated amortisation and impairment	31,250
Additions	24,522
Disposal of subsidiaries (note 42)	(156)
Disposals	(10)
Impairment (note 6)	(36)
Amortisation provided during the year (note 6)	(10,755)
At 31 December 2018	44,815
At 31 December 2018:	
Cost	129,244
Accumulated amortisation and impairment	(84,429)
Net carrying amount	44,815

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES

Investments in joint ventures

	2019 RMB'000	2018 RMB'000
Share of net assets	**11,511,385**	7,346,601

The amounts due from and to joint ventures are disclosed in note 26 to the financial statements.

All of the Group's investments in joint ventures are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain joint ventures because the share of loss of the joint ventures exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint ventures for the current year and cumulatively were RMB348,791,000 (2018: RMB93,665,000) and RMB471,886,000 (2018: RMB123,095,000), respectively.

The joint ventures of the Group are considered not individually material and the following table illustrates the aggregate financial information of the joint ventures:

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profit for the year	**722,390**	369,183
Share of the joint ventures' total comprehensive income for the year	**722,390**	369,183
Aggregate carrying amount of the Group's investments in the joint ventures	**11,511,385**	7,346,601

Joint operations

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Jin Mao, an indirect wholly-owned subsidiary of the Company was established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Jin Mao agreed to make a capital injection of RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, to subscribe for its new registered capital.

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

On 28 July 2011, Qingdao Jin Mao completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	**266**	310
Properties under development	**–**	125,226
Total non-current assets	**266**	125,536
Current assets		
Properties held for sale	**382,146**	424,298
Properties under development	**94,284**	–
Prepayments, other receivables and other assets	**13,990**	17,206
Prepaid tax	**23,791**	18,722
Restricted bank balances	**114,482**	52,884
Cash and cash equivalents	**28,065**	60,542
Total current assets	**656,758**	573,652
Current liabilities		
Trade and bills payables	**310,728**	402,318
Other payables and accruals	**201,080**	99,329
Total current liabilities	**511,808**	501,647
Net current assets	**144,950**	72,005
Total assets less current liabilities	**145,216**	197,541
Non-current liabilities		
Deferred tax liabilities	**1**	–
Net assets	**145,215**	197,541

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

	2019 RMB'000	2018 RMB'000
Revenue	**29,045**	404,048
Cost of sales	**(23,107)**	(290,729)
Gross profit	**5,938**	113,319
Other income and gains	**487**	1,158
Selling and marketing expenses	**(1,128)**	(10,071)
Administrative expenses	**(4,490)**	(3,971)
Profit before tax	**807**	100,435
Income tax	**9,963**	(53,604)
Profit for the year	**10,770**	46,831

21. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**7,597,657**	6,698,667

The amounts due from and to associates are disclosed in note 26 to the financial statements.

All of the Group's investments in associates are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were RMB79,154,000 (2018: RMB43,706,000) and RMB172,540,000 (2018: RMB93,386,000), respectively.

The associates of the Group are considered not individually material and the following table illustrates the aggregate financial information of the associates:

	2019 RMB'000	2018 RMB'000
Share of the associates' (loss)/profit for the year	**(132,653)**	10,749
Share of the associates' total comprehensive (loss)/income for the year	**(132,653)**	10,749
Aggregate carrying amount of the Group's investments in the associates	**7,597,657**	6,698,667

22. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**157,704**	103,147
Consumables and tools	**3,117**	4,024
Hotel merchandise	**10,547**	10,415
Trading stock	**2,806**	2,611
	174,174	120,197

23. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**1,462,059**	799,241
Impairment	**(16,195)**	(9,653)
	1,445,864	789,588

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group has pledged trade receivables of approximately RMB25,514,000 (2018: RMB22,939,000) to secure a bank loan granted to the Group (note 33).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	**76,258**	379,557
1 to 3 months	**1,182,884**	67,386
4 to 6 months	**52,428**	31,266
6 months to 1 year	**68,641**	18,153
Over 1 year	**65,653**	293,226
	1,445,864	789,588

23. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**9,653**	5,952
Impairment losses, net (note 6)	**6,542**	3,701
At 31 December	**16,195**	9,653

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	**0.02%**	**1.22%**	**7.33%**	**31.70%**	**1.11%**
Gross carrying amount (RMB'000)	**1,409,708**	**1,561**	**1,133**	**49,657**	**1,462,059**
Expected credit losses (RMB'000)	**351**	**19**	**83**	**15,742**	**16,195**

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.09%	2.96%	3.35%	34.27%	1.21%
Gross carrying amount (RMB'000)	768,338	3,550	1,793	25,560	799,241
Expected credit losses (RMB'000)	728	105	60	8,760	9,653

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments	**8,502,740**	3,986,959
Deposits	**5,695,954**	1,283,040
Other receivables	**9,649,985**	11,968,726
Due from non-controlling shareholders	**6,269,918**	1,999,221
Entrusted loans to third parties	**–**	600,000
Contract costs	**84,409**	129,167
Prepaid land lease payments (note 18(a))	**–**	53,686
	30,203,006	20,020,799

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

The current balances of amounts due from non-controlling shareholders are unsecured, interest-free and repayable within one year, except for the amounts of RMB4,158,874,000, in aggregate, which bear interest at rates from 0.35% to 4.35% per annum (2018: RMB1,999,221,000, in aggregate, which bear interest at rates from 0.35% to 2.375% per annum).

The entrustment loans to third parties of RMB600,000,000 as at 31 December 2018 were unsecured, bore interest at rate 2.175% per annum and receivable within one year.

Management expects the contracts costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts as contract costs and amortised when the related revenue are recognised.

As at 31 December 2019, the non-current balance included a pledged deposit of RMB246,000,000 (2018: RMB300,000,000) made to a local government for performance guarantee, which is not repayable within one year.

25. CONTRACT ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Contract assets arising from design and decoration services	**267,009**	154,500	53,985
	267,009	154,500	53,985

Contract assets are initially recognised for other revenue earned from the design and decoration services as the receipt of consideration is conditional on successful completion of services, respectively. Included in contract assets for design and decoration services are retention receivables. Upon completion of design and decoration services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing provision of design and decoration services at the end of each of the years.

The expected timing of recovery or settlement for contract assets as at 31 December 2019 is within one year.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2019	2018
Expected credit loss rate	**0%**	0%
Gross carrying amount (RMB'000)	**267,009**	154,500
Expected credit losses (RMB'000)	**–**	–

26. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Notes	2019 RMB'000	2018 RMB'000
Current:			
Due from related parties:			
The ultimate holding company		**280**	–
An intermediate holding company		**–**	360
The immediate holding company		**1,392**	1,239
Fellow subsidiaries	(i)	**57,904**	295,374
Associates	(ii)	**13,161,106**	16,148,835
Joint ventures	(iii)	**21,099,610**	20,561,332
An associate of the Group's ultimate holding company		**–**	87
The substantial shareholder	(iv)	**1,435,928**	–
		35,756,220	37,007,227
Non-current:			
Due from related parties:			
Fellow subsidiaries		**64,398**	–
Associates	(v)	**1,265,515**	–
Joint ventures	(vi)	**6,927,839**	1,967,350
		8,257,752	1,967,350
Due to related parties:			
The ultimate holding company		**2,077**	2,170
An intermediate holding company	(vii)	**6,901,926**	1,823,707
The immediate holding company	(viii)	**10,615,072**	7,859,546
Fellow subsidiaries	(ix)	**2,040,945**	928,582
Associates		**4,874,312**	1,973,590
Joint ventures		**6,137,520**	3,273,768
An associate of the Group's ultimate holding company		**2,678**	24,041
The substantial shareholder		**100,652**	–
		30,675,182	15,885,404

26. BALANCES WITH RELATED PARTIES (Continued)

The amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

(i) The current balances of amounts due from fellow subsidiaries as at 31 December 2018 include an amount of RMB288,000,000, which bears interest at a rate of 2.18% per annum (2019: Nil).

(ii) The current balances of amounts due from associates as at 31 December 2019 include the amounts of RMB6,446,393,000, in aggregate, which bear interest at rates ranging from 4.35% to 10.00% per annum (2018: RMB5,906,345,000, in aggregate, which bear interest at rates ranging from 5.23% to 10.00% per annum).

(iii) The current balances of amounts due from joint ventures as at 31 December 2019 include the amounts of RMB11,651,801,000, in aggregate, which bear interest at rates ranging from 2.00% to 10.00% per annum (2018: RMB12,746,709,000, in aggregate, which bear interest at rates ranging from 2.42% to 10.26% per annum).

(iv) The current balance of amounts due from the substantial shareholder as at 31 December 2019 include the amounts of RMB1,435,928,000, in aggregate, which bear interest at rates ranging from 2.175% to 2.75% per annum (2018: Nil).

(v) The non-current balances of amounts due from associates as at 31 December 2019 include the amounts of RMB1,265,515,000, in aggregate, which bear interest at a rate of 8.00% per annum (2018: Nil).

(vi) The non-current balances of amounts due from joint ventures as at 31 December 2019 include the amounts of RMB6,927,839,000, in aggregate, which bear interest at a rate of 8.00% per annum (2018: RMB1,967,350,000, which bears interest at a rate of 8.00% per annum).

The amounts due to related parties are unsecured, interest-free and are repayable on demand, except for the following:

(vii) The current balances of amounts due to an intermediate holding company as at 31 December 2019 include the amounts of RMB6,800,000,000, in aggregate, which bear interest at rates ranging from 4.20% to 4.35% per annum (2018: Nil).

(viii) The current balances of amounts due to the immediate holding company as at 31 December 2019 include the amounts of RMB10,557,771,000, in aggregate, which bear interest at rates ranging from 3.21% to 4.61% per annum (2018: Nil).

(ix) The current balances of amounts due to fellow subsidiaries as at 31 December 2019 include an amount of RMB1,395,288,000, which bears interest at a rate of 4.50% per annum (2018: Nil).

27. OTHER FINANCIAL ASSETS

	2019 RMB'000	2018 RMB'000
Non-current balances		
Unlisted equity investments, at fair value (2018: at fair value)	**230,000**	180,000
Other unlisted investments, at fair value (2018: at fair value)	**95,274**	1,059,281
	325,274	1,239,281
Current balances		
Other unlisted investments, at fair value (2018: at fair value)	**1,077**	2,199
	1,077	2,199
	326,351	1,241,480

The above equity investments were classified as financial assets at fair value through profit or loss.

The above other unlisted investments were wealth management products issued by banks in Mainland China.

28. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES AND DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**17,056,997**	21,175,637
Time deposits	**10,924,314**	4,606,142
	27,981,311	25,781,779
Less:		
Restricted bank balances	**(7,486,609)**	(4,457,579)
Long-term time deposit	**(3,300,000)**	–
Cash and cash equivalents	**17,194,702**	21,324,200

At 31 December 2019, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB19,707,251,000 (2018: RMB20,783,706,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of within one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES AND DEPOSITS (Continued)

Included in the Group's cash and cash equivalents are deposits of RMB2,442,111,000 (2018: RMB5,675,285,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.35% to 1.50% per annum (2018: 0.35% to 1.50%). The Group's long-term time deposit of RMB3,300,000,000 (2018: Nil) is placed with Sinochem Finance and has a term of 2 years with a fixed rate of 3.15% per annum. Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 46(a) to the financial statements.

29. DUE FROM NON-CONTROLLING SHAREHOLDERS

The non-current balances of amounts due from non-controlling shareholders are unsecured, bear interest at rates from 2.18% to 4.75% per annum and are not repayable within one year.

30. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**18,335,309**	10,995,487
Over 1 year	**660,225**	697,357
	18,995,534	11,692,844

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

31. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Other payables	(a)	**11,601,566**	7,661,225
Receipts in advance		**111,303**	124,153
Contract liabilities	(b)	**64,657,028**	46,967,258
Accruals		**234,730**	182,003
Due to non-controlling shareholders	(c)	**4,851,234**	13,199,767
Dividend payable to non-controlling shareholders		**250**	23,718
Deferred revenue		**1,034,119**	–
		82,490,230	68,158,124

31. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(a) Other payables are non-interest-bearing with an average term of not more than one year.

(b) Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers			
Sale of properties	**64,331,782**	46,783,892	36,589,633
Land development	**–**	–	2,041,495
Hotel operations	**96,967**	85,241	94,077
Others	**228,279**	98,125	91,677
Total contract liabilities	**64,657,028**	46,967,258	38,816,882

Contract liabilities include short-term advances received to deliver completed properties and land development assets, render hotel operations, design and decoration services and management services. The increase in contract liabilities in 2019 and 2018 was mainly due to the increase in short-term advances received from customers in relation to the sales of properties at the end of the years.

(c) The amounts due to non-controlling shareholders as at 31 December 2019 are unsecured, interest-free and are repayable on demand, except for the amounts of RMB3,326,892,000, in aggregate, which bear interest at rates ranging from 3.43% to 10.00% per annum.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018	
	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Interest rate swaps	**34,991**	847	32,795
Cross currency interest rate swaps	**17,880**	–	11,974
Foreign currency forward contract	**253**	–	–
Carrying amount at 31 December	**53,124**	847	44,769
Current portion	**(18,133)**	(847)	–
Non-current portion	**34,991**	–	44,769

Derivative financial instruments of the Group were conducted with creditworthy banks.

Cash flow hedge – Interest rate risk and foreign currency risk

At 31 December 2019, the Group had interest rate swap agreements in place with a notional amount of HK$1,920,000,000 whereby they pay interest at fixed rates ranged from of 3.81% to 4.45% and receive interest at variable rates equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.45% to 1.65% on the notional amount. The swaps are being used to hedge the interest rate exposure of floating rate unsecured bank loan with aggregate face value of HK$1,920,000,000.

32. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with notional amounts of US$250,000,000 and HK$1,960,350,000 whereby they pay interest at a fixed rate of 3.45% and pay HK$1,960,350,000 on the maturity date, and receive interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.1% and receive US$250,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with face value of US$250,000,000.

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with notional amounts of JPY2,000,000,000 and HK$145,137,881 whereby they pay interest at a variable rate equal to LIBOR plus 1.62% and pay HK$145,137,881 on the maturity date, and receive interest at a variable rate equal to LIBOR plus 1% and receive JPY2,000,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with a face value of JPY2,000,000,000.

At 31 December 2019, the Group had a foreign currency forward contract in place with notional amounts of US$94,380,000 and HK$735,503,340 whereby they pay HK$735,503,340 on the maturity date, and receive US$94,380,000 on the maturity date. The foreign currency forward contract is being used to hedge the foreign currency risk exposure to the unsecured bank loan with a face value of US$94,380,000.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the swaps and foreign currency forward contracts match the terms of the variable rate foreign currency denominated bank loans (i.e., notional amount, maturity, payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the swaps and foreign currency forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted payments and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans, secured	4.13	2020	980,000	–	–	–
Bank loans, unsecured	1.62-5.69	2020	5,624,278	2.07-4.79	2019	4,608,229
Other loans, unsecured	–	–	–	6.00-7.00	2019	903,736
Notes, unsecured	–	–	–	4.27	2019	700,000
Current portion of long term bank loans, secured	4.15-5.61	2020	1,148,500	4.75-6.37	2019	2,743,000
Current portion of long term bank loans, unsecured	3.48-5.46	2020	5,870,461	2.27-5.40	2019	7,909,790
Current portion of long term other loans, unsecured	4.75-7.07	2020	7,609,408	3.53-6.30	2019	5,111,480
Current portion of long term notes, unsecured	3.55-4.78	2020	5,430,238	–	–	–
			26,662,885			21,976,235
Non-current						
Bank loans, secured	4.28-6.65	2021-2030	11,384,826	4.27-9.82	2020-2030	8,274,893
Bank loans, unsecured	2.86-5.70	2021-2029	14,658,927	2.27-5.40	2020-2024	15,483,902
Other loans, unsecured	3.53-7.21	2021-2037	22,478,182	3.53-7.00	2020-2034	24,343,760
Notes, unsecured	3.60-6.75	2021-2024	17,051,316	3.60-6.75	2020-2022	17,440,818
Domestic corporate bonds, unsecured	3.65-3.72	2021-2024	3,800,000	3.55	2020	453,050
			69,373,251			65,996,423
			96,036,136			87,972,658

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**13,623,239**	15,261,020
In the second year	**6,125,831**	10,081,975
In the third to fifth years, inclusive	**16,570,117**	12,677,319
Beyond five years	**3,347,805**	999,500
	39,666,992	39,019,814
Other borrowings repayable:		
Within one year	**13,039,646**	6,715,215
In the second year	**13,844,802**	11,034,122
In the third to fifth years, inclusive	**18,339,185**	26,930,507
Beyond five years	**11,145,511**	4,273,000
	56,369,144	48,952,844
	96,036,136	87,972,658

Notes:

(a) As at 31 December 2019, the Group had loan facilities amounting to RMB157,135,999,000 (2018: RMB130,083,192,000), of which RMB69,754,582,000 (2018: RMB70,078,790,000) had been utilised.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of approximately RMB297,415,000 (2018: RMB310,974,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately RMB50,243,236,000 (2018: RMB44,927,739,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of RMB132,501,000 (2018: RMB140,784,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately RMB12,902,640,000 (2018: RMB12,688,153,000);

(v) mortgages over certain of the Group's right-of-use assets, which had an aggregate carrying amount at the end of the reporting period of RMB142,871,000 (2018: prepaid land lease payments of RMB148,976,000);

(vi) mortgages over certain of the Group's trade receivables, which had an aggregate carrying amount at the end of the reporting period of RMB 25,514,000 (2018: RMB22,939,000); and

(vii) pledge of certain of the equity interests in the Group's joint ventures, which had an aggregate carrying amount at the end of the reporting period of RMB551,668,000 (2018: pledge of certain of the equity interests in the Group's subsidiaries, which had an aggregate carrying amount of RMB563,668,000).

(c) Except for the bank and other borrowings amounting to approximately RMB17,218,509,000 (2018: RMB10,890,814,000), RMB14,495,399,000 (2018: RMB15,168,295,000) and RMB127,688,000 (2018: Nil) which are denominated in United States dollars, Hong Kong dollars and Japanese Yen respectively, all bank and other borrowings are denominated in RMB.

34. PROVISION FOR LAND APPRECIATION TAX

	RMB'000
At 1 January 2018	3,633,637
Charged to the statement of profit or loss during the year (note 10)	1,467,896
Payment during the year	(2,004,136)
Transfer from prepaid tax	(416,509)
At 31 December 2018 and 1 January 2019	**2,680,888**
Charged to the statement of profit or loss during the year (note 10)	**1,855,576**
Payment during the year	**(713,145)**
Transfer from prepaid tax	**(533,184)**
At 31 December 2019	**3,290,135**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the pre-sales and sales proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Accrued interest income RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2018	3,437,824	530,768	709,112	142,197	115,834	128,395	5,064,130
Acquisition of subsidiaries	–	–	88,936	–	–	–	88,936
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	58,339	75,017	(65,760)	–	10,290	18,476	96,362
Deferred tax charged to the statement of comprehensive income during the year	4,324	–	–	–	–	–	4,324
Gross deferred tax liabilities at 31 December 2018	**3,500,487**	**605,785**	**732,288**	**142,197**	**126,124**	**146,871**	**5,253,752**
Effect of adoption of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**24,001**	**24,001**
At 1 January 2019 (restated)	**3,500,487**	**605,785**	**732,288**	**142,197**	**126,124**	**170,872**	**5,277,753**
Acquisition of subsidiaries (note 41)	**–**	**–**	**440,671**	**–**	**–**	**–**	**440,671**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**222,176**	**73,457**	**(357,883)**	**–**	**97,088**	**151,910**	**186,748**
Deferred tax charged to the statement of comprehensive income during the year	**17,332**	**–**	**–**	**–**	**–**	**–**	**17,332**
Gross deferred tax liabilities at 31 December 2019	**3,739,995**	**679,242**	**815,076**	**142,197**	**223,212**	**322,782**	**5,922,504**

35. DEFERRED TAX (Continued)

Deferred tax assets

	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	884,303	112,871	481,509	25,713	1,504,396
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(221,819)	253,622	382,404	(2,295)	411,912
Disposal of subsidiaries (note 42)	–	(5,586)	–	–	(5,586)
Gross deferred tax assets at 31 December 2018	**662,484**	**360,907**	**863,913**	**23,418**	**1,910,722**
Effect of adoption of HKFRS 16	**–**	**–**	**–**	**24,001**	**24,001**
At 1 January 2019 (restated)	**662,484**	**360,907**	**863,913**	**47,419**	**1,934,723**
Acquisition of subsidiaries (note 41)	**–**	**175,748**	**–**	**–**	**175,748**
Deferred tax credited to the statement of profit or loss during the year (note 10)	**114,621**	**175,870**	**334,542**	**9,041**	**634,074**
Disposal of subsidiaries (note 42)	**–**	**(1,557)**	**(21,814)**	**–**	**(23,371)**
Gross deferred tax assets at 31 December 2019	**777,105**	**710,968**	**1,176,641**	**56,460**	**2,721,174**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

35. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,708,346**	1,897,894
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(5,909,676)**	(5,240,924)
	(3,201,330)	(3,343,030)

The Group also has tax losses arising in Mainland China of RMB3,091,488,000 (2018: RMB3,414,677,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019, the Group recognised deferred tax liabilities of approximately RMB142,197,000 (2018 RMB142,197,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining unremitted earnings of the Group's subsidiaries, joint ventures and joint operations will be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB34,751,989,000 at 31 December 2019 (2018: RMB32,369,182,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. PERPETUAL SECURITIES

(a) 2016 Subordinate Guaranteed Perpetual Capital Securities

On 4 February 2016, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,270,950,000). The direct transaction costs attributable to the issuance amounted to US$1,470,000 (equivalent to approximately RMB9,619,000).

The securities confer a right to receive distributions at the applicable distribution rate of 6% per annum from and including 4 February 2016, payable semi-annually on 4 February and 4 August of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(b) 2016 Domestic Renewable Corporate Bonds

On 16 June 2016, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the domestic renewable corporate bonds with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB5,737,000.

The coupon rate was fixed at 3.70% and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

On 16 June 2019, the Group redeemed all of these domestic renewable corporate bonds with a principal amount of RMB2,000,000,000.

(c) 2017 Subordinate Guaranteed Perpetual Capital Securities

On 17 January 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an amount of US$497,615,000 (equivalent to approximately RMB3,433,145,000), at 99.523% of the principal amount of US$500,000,000. The direct transaction costs attributable to the issuance amounted to US$3,862,000 (equivalent to approximately RMB26,645,000).

The securities confer a right to receive distributions at the applicable distribution rate of 5.75% per annum from and including 17 January 2017, payable semi-annually on January 17 and July 17 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

On 6 November 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,987,410,000). The direct transaction costs attributable to the issuance amounted to US$196,000 (equivalent to approximately RMB1,296,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.875% per annum from and including 6 May 2018, payable semi-annually on May 6 and November 6 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

36. PERPETUAL SECURITIES (Continued)

(d) 2017 Senior Guaranteed Perpetual Capital Securities

On 3 July 2017, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,033,160,000). On 1 September 2017, Franshion Brilliant Limited completed another issue of the senior guaranteed perpetual capital securities with an amount of US$200,182,000 (equivalent to approximately RMB1,319,380,000), at 100.091% of the principal amount of US$200,000,000 and an accrued distribution of US$1,289,000 (equivalent to RMB8,495,000) compensated from the bankers.

The securities confer a right to receive distribution at 4.00% per annum payable semi-annually in arrears beginning on 3 January 2018 with no stated maturity date. The transaction costs related to the issuance were approximately US$1,735,000 (equivalent to approximately RMB11,566,000).

(e) 2017 Hwabao Trust Perpetual Capital Securities

On 22 December 2017, Jinmao Investment Management (Shanghai) Co., Ltd. completed an issue of the guaranteed perpetual capital securities, in an aggregate principal amount of RMB621,000,000 with the trust plan established by Hwabao Trust Co., Ltd.

The securities confer a right to receive distribution at 6.95% per annum payable semi-annually in arrears beginning on 21 June 2018. The issuer, may at its sole discretion, elect to defer a distribution pursuant to the terms of the securities.

(f) 2018 Senior Guaranteed Perpetual Capital Securities

On 4 December 2018, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,068,170,000). The direct transaction costs attributable to the issuance amounted to US$1,997,700 (equivalent to approximately RMB13,772,000).

The securities confer a right to receive distributions at the 6.90% per annum payable semi-annually in arrears beginning on 4 December 2018 with no stated maturity date. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(g) 2018 Domestic Unsecured Perpetual Medium-Term Notes

On 18 December 2018, Jinmao Investment Management (Shanghai) Co., Ltd. issued the unsecured perpetual medium-term notes, with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB6,882,000.

The notes confer a right to receive distribution at 5.00% per annum payable annually beginning on 20 December 2018 and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

36. PERPETUAL SECURITIES (Continued)

(h) 2019 Subordinate Guaranteed Perpetual Capital Securities

On 6 December 2019, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,815,320,000). The direct transaction costs attributable to the issuance amounted to US$759,000 (equivalent to approximately RMB5,340,000).

The securities confer a right to receive distributions at the applicable distribution rate of 7.125% per annum from and including 6 June 2020, payable semi-annually on 6 June and 6 December of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the securities in (a) to (h) above due to redemption other than an unforeseen liquidation of the Company or the issuers. Accordingly, these securities are classified as equity instruments.

37. SHARE CAPITAL

Shares

	2019 RMB'000	2018 RMB'000
Issued and fully paid:		
11,769,524,490 (2018:11,553,528,329) ordinary shares	**10,660,742**	10,469,821

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2018 and 1 January 2019	**11,553,528,329**	20,416,452
Issue of new shares (note a)	**169,494,061**	724,385
Share options exercised (note b)	**46,502,100**	110,023
31 December 2019	**11,769,524,490**	21,250,860

Notes:

(a) The Company issued 169,494,061 ordinary shares at the placing price of HK$4.8106 per share with net proceeds of approximately RMB724,385,000.

(b) 46,502,100 share options were exercised at the subscription price of HK$2.44 per share or HK$2.196 per share (note 38), resulting in the issue of 46,502,100 shares for a total cash consideration, before expenses, of RMB89,794,000. An amount of RMB20,229,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

38. SHARE OPTION SCHEME

2007 Scheme

The Company operated a share option scheme (the "2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the 2007 Scheme included the Company's executive and non-executive directors and the Group's senior management, key technical and professional personnel, managers and employees, but did not include the Company's independent non-executive directors. The 2007 Scheme became effective on 22 November 2007 and expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the 2007 Scheme continued to be valid and exercisable in accordance with the terms of issue.

The maximum number of unexercised share options currently permitted to be granted under the 2007 Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period was limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit was subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, were subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options might be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options was related to the performance of individuals and of the Company. The board of directors would determine performance targets concerned and set out in the grant notice. The share options granted would become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options was determinable by the directors, but might not be less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

Share options did not confer rights on the holders to dividends or to vote at shareholders' meetings.

38. SHARE OPTION SCHEME (Continued)

2007 Scheme (Continued)

The following share options were outstanding under the 2007 Scheme during the year:

	2019 Weighted average exercise price HK$ per share	2019 Number of options	2018 Weighted average exercise price HK$ per share	2018 Number of options
At 1 January	2.32	138,354,900	2.21	155,597,880
Forfeited during the year	2.20	(2,594,800)	2.20	(12,216,000)
Exercised during the year	2.23	(46,502,100)	2.27	(5,026,980)
At 31 December	2.20	89,258,000	2.32	138,354,900

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.23 per share (2018: HK$2.27 per share).

The exercise prices and exercise periods of the share options outstanding under the 2007 Scheme as at the end of the reporting period are as follows:

2019

Number of options	Exercise price* HK$ per share	Exercise period
8,017,800	2.196	17 October 2018 to 16 October 2023
37,128,200	2.196	17 October 2019 to 16 October 2023
44,112,000	2.196	17 October 2020 to 16 October 2023
89,258,000		

2018

Number of options	Exercise price* HK$ per share	Exercise period
2,749,800	2.44	28 November 2014 to 27 November 2019
3,664,100	2.44	28 November 2015 to 27 November 2019
41,409,000	2.196	17 October 2018 to 16 October 2023
45,128,000	2.196	17 October 2019 to 16 October 2023
45,404,000	2.196	17 October 2020 to 16 October 2023
138,354,900		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

38. SHARE OPTION SCHEME (Continued)

2007 Scheme (Continued)

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), of which the Group recognised a share option expense of HK$14,328,000 (equivalent to RMB12,604,000) (2018: RMB21,911,000) during the year ended 31 December 2019.

The 46,502,100 share options exercised during the year resulted in the issue of 46,502,100 ordinary shares of the Company and new share capital of HK$126,989,000 (equivalent to RMB110,023,000) (before issue expenses), as further detailed in note 37 to the financial statements.

New Scheme

On 29 January 2019, a new share option scheme (the "New Scheme") was adopted by the Company to enhance the Company's continuous commitment to eligible participants and enhance them to pursue the objectives of the Company. On 8 February 2019, an aggregate of 265,950,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$3.99 per share. One-third of the share options granted will be vested in two years from 8 February 2019, one-third of the share options granted will be vested in three years from 8 February 2019 and one-third of the options granted will be vested in four years from 8 February 2019. Once the share options are vested, they are exercisable until 7 February 2026.

On 9 September 2019, an aggregate of 9,000,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$4.58 per share. One-third of the share options granted will be vested in two years from 9 September 2019, one-third of the share options granted will be vested in three years from 9 September and one-third of the options granted will be vested in four years from 9 September. Once the share options are vested, they are exercisable until 8 September 2026.

According to the terms of the New Scheme, the board of directors shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the share options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay a consideration of HK$1 or the equivalent (to be determined on the date when the offer of the grant is accepted) to the Company for acceptance of the offer of the grant of the share option.

38. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the New Scheme during the year:

	2019 Weighted average exercise price HK$ per share	2019 Number of options
At 1 January	–	–
Granted during the year	4.01	274,950,000
Forfeited during the year	3.99	(5,850,000)
At 31 December	4.01	269,100,000

The exercise prices and exercise periods of the share options outstanding under the New Scheme as at the end of the reporting period are as follows:

2019

Number of options	Exercise price* HK$ per share	Exercise period
86,694,000	3.99	8 February 2021 to 7 February 2026
86,694,000	3.99	8 February 2022 to 7 February 2026
86,712,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
269,100,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

38. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

The fair value of the share options granted during the year ended 31 December 2019 was HK$257,594,000, of which the Group recognised a share option expense of HK$81,174,000 (equivalent to RMB71,412,000) during the year ended 31 December 2019.

The fair value of equity settled share options granted during the year ended 31 December 2019 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	4.80 – 5.26
Expected volatility (%)	37.65 – 41.15
Historical volatility (%)	37.65 – 41.15
Risk-free interest rate (%)	1.15 – 1.63
Contractual life of options (year)	7.00
Exercise multiple (times)	1.5 – ∞
Weighted average share price (HK$ per share)	3.99 – 4.58

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 89,258,000 share options outstanding under the 2007 Scheme and 269,100,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 358,358,000 additional ordinary shares of the Company and additional share capital of HK$1,275,030,000 (equivalent to RMB1,121,694,000) (before issue expenses).

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 166 to 167 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

Asset revaluation reserve

The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties carried at fair value.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Hedging reserve

The hedging reserve represents reserves related to net investment hedges and cash flow hedges.

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2019			
Percentage of equity interest held by non-controlling interests	72.50%	73.50%	33.23%
(Loss)/profit for the year allocated to non-controlling interests	(31,777)	162,170	81,864
Dividends declared to non-controlling interests	–	–	173,758
Accumulated balances of non-controlling interests at the reporting date	2,118,243	3,435,124	1,766,603

	Jin Mao Hangzhou RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2018			
Percentage of equity interest held by non-controlling interests	50%	73.50%	33.23%
Profit/(loss) for the year allocated to non-controlling interests	13,656	(22,878)	83,214
Dividends declared to non-controlling interests	–	–	203,469
Accumulated balances of non-controlling interests at the reporting date	1,594,820	3,272,954	1,926,215

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2019			
Revenue	1,983	1,629,011	2,473,670
Total expenses	(45,814)	(1,408,372)	(2,227,315)
(Loss)/profit for the year	(43,831)	220,639	246,355
Total comprehensive (loss)/income for the year	(43,831)	220,639	153,223
Current assets	7,383,027	9,677,018	896,248
Non-current assets	3,225,715	376	17,115,259
Current liabilities	(7,365,102)	(3,828,407)	(8,389,723)
Non-current liabilities	(321,604)	(1,167,314)	(4,161,624)
Net cash flows from operating activities	4,621,579	3,733,050	620,182
Net cash flows used in investing activities	(846)	(1,149,956)	(140,050)
Net cash flows used in financing activities	(3,491,358)	(2,470,689)	(533,885)
Net increase/(decrease) in cash and cash equivalents	1,129,375	112,405	(53,753)

	Jin Mao Hangzhou RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2018			
Revenue	–	–	2,564,936
Total expenses	27,312	(31,127)	(2,314,518)
Profit/(loss) for the year	27,312	(31,127)	250,418
Total comprehensive income/(loss) for the year	27,312	(31,127)	(36,245)
Current assets	7,981,432	8,391,818	1,013,185
Non-current assets	2,813,495	11,152	17,018,215
Current liabilities	(7,605,287)	(2,890,136)	(8,687,414)
Non-current liabilities	–	(1,056,973)	(3,514,154)
Net cash flows from/(used in) operating activities	1,139,793	(1,004,438)	697,784
Net cash flows used in investing activities	(1,601,639)	(551,378)	(211,410)
Net cash flows (used in)/from financing activities	(1,031,489)	1,718,506	(647,208)
Net (decrease)/increase in cash and cash equivalents	(1,493,335)	162,690	(160,834)

41. BUSINESS COMBINATION

Business combination during the year mainly included the acquisitions of a number of property development companies and acquisition of additional interests in joint ventures and associates (collectively referred to as the "Acquirees"). 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.

The Group remeasured the fair value of the equity interest previously held as joint ventures or associates at the date of acquisition, and fair value gains of RMB346,240,000 were recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2019 (note 5).

The Group has elected to measure the non-controlling interest in the Acquirees at the non-controlling interest's proportionate share of the Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	13	154,654
Right-of-use assets	18(b)	20,690
Intangible assets	19	543
Properties under development	14	9,996,192
Properties held for sale		11,527,779
Deferred tax assets	35	175,748
Prepayments, other receivables and other assets		4,995,758
Prepaid tax		681,468
Restricted bank balance		5,705
Cash and cash equivalents		1,526,634
Trade and bills payables		(431,963)
Other payables and accruals		(17,108,997)
Interest-bearing bank and other borrowings	43	(6,680,625)
Lease liabilities	18(c), 43	(8,856)
Deferred tax liabilities	35	(440,671)
Total identifiable net assets at fair value		4,414,059
Non-controlling interests		(793,305)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5,6	(401,970)
		3,218,784
Satisfied by:		
Cash		1,318,088
Fair value of equity interest previously held as investments in joint ventures and associates		1,900,696
Total purchase consideration		3,218,784

41. BUSINESS COMBINATION (Continued)

The fair values of its other receivables as at the date of acquisition amounted RMB4,995,758,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB1,206,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group recognised a gain on bargain purchase of approximately RMB401,970,000 in the consolidated statement of profit or loss for the year ended 31 December 2019, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third parties, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash consideration	(1,318,088)
Cash and bank balances acquired	1,526,634
Net inflow of cash and cash equivalents included in cash flows from investing activities	208,546
Transaction costs of the acquisition included in cash flows used in operating activities	(1,206)
	207,340

Since the acquisition, the Acquirees contributed RMB7,211,925,000 to the Group's revenue and incurred a loss of RMB177,996,000 to the consolidated profit for the year ended 31 December 2019 in aggregate.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB45,294,875,000 and RMB8,819,270,000, respectively.

42. DISPOSAL OF SUBSIDIARIES

During the years ended 31 December 2019 and 31 December 2018, the Group lost control over certain subsidiaries.

	Notes	2019 RMB'000	2018 RMB'000
Net assets disposed of:			
Property, plant and equipment	13	**1,034**	3,319
Intangible assets	19	**–**	156
Deferred tax assets	35	**23,371**	5,586
Cash and cash equivalents		**1,761,490**	2,198,191
Properties under development	14	**8,095,596**	11,421,201
Properties held for sale		**1,112,315**	–
Prepayments, other receivables and other assets		**3,178,688**	430,023
Prepaid tax		**486,314**	44,735
Trade and bills payables		**(591,881)**	(200,719)
Other payables and accruals		**(6,925,100)**	(10,046,053)
Interest-bearing bank and other borrowings	43	**(4,384,363)**	(2,822,952)
		2,757,464	1,033,487
Non-controlling interests		**(799,612)**	–
		1,957,852	1,033,487
Gain on disposal of subsidiaries	5	**1,018,026**	72,240
		2,975,878	1,105,727
Satisfied by:			
Cash		**1,652,586**	12,000
Fair value of interests retained by the Group		**1,323,292**	1,093,727
		2,975,878	1,105,727

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Cash consideration	**1,652,586**	12,000
Cash and cash equivalents disposed of	**(1,761,490)**	(2,198,191)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(108,904)**	(2,186,191)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB169,143,000 (including those classified under investment properties of RMB63,025,000) and RMB169,143,000, respectively (2018: Nil).

(b) Changes in liabilities arising from financing activities:

2019

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000	Lease liabilities RMB'000
At 31 December 2018	87,972,658	15,855,878	–	–
Effect of adoption of HKFRS 16	–	–	–	96,004
At 1 January 2019 (restated)	87,972,658	15,855,878	–	96,004
Changes from financing cash flows	5,173,543	(4,032,700)	(954,950)	(85,824)
Foreign exchange movement	593,673	–	–	–
New leases	–	–	–	169,143
Interest expense	–	–	–	7,430
2018 final dividends	–	–	507,871	–
2019 interim dividends	–	–	447,079	–
Dividends to non-controlling shareholders	–	931,616	–	–
Increase arising from acquisition of subsidiaries (note 41)	6,680,625	–	–	8,856
Decrease arising from disposal of subsidiaries (note 42)	(4,384,363)	–	–	–
At 31 December 2019	96,036,136	12,754,794	–	195,609

2018

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000
At 1 January 2018	71,331,481	12,591,390	–
Changes from financing cash flows	17,562,591	3,264,488	(1,446,749)
Foreign exchange movement	1,575,618	–	–
2017 final dividends	–	–	847,811
2018 interim dividends	–	–	598,938
Increase arising from acquisition of subsidiaries	325,920	–	–
Decrease arising from disposal of subsidiaries (note 42)	(2,822,952)	–	–
At 31 December 2018	87,972,658	15,855,878	–

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases:

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**14,187**
Within investing activities	**–**
Within financing activities	**85,824**
	100,011

44. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees amounting to approximately RMB22,867,719,000 (2018: RMB23,836,930,000) in respect of mortgage facilities for certain purchasers of the Group's properties.

45. COMMITMENTS

(a) The Group had the following commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Properties under development	**35,050,688**	31,098,998
Land under development	**2,313,463**	1,566,159
Property, plant and equipment	**4,438**	9,789
Capital contributions to joint ventures and associates	**5,252,714**	2,672,607
	42,621,303	35,347,553

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for properties were negotiated for terms ranging from one to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	41,929
In the second to fifth years, inclusive	59,144
	101,073

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are RMB5,518,000 due within one year.

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2019 RMB'000	2018 RMB'000
Fellow subsidiaries:			
Rental income*	(i)	**229,996**	202,030
Property management fee income*	(i)	**38,835**	38,051
Interest expense*	(ii)	**116,745**	38,619
Interest income*	(iii)	**105,441**	14,359
Building decoration service income	(i)	**6,894**	19,270
The immediate holding company:			
Rental expense	(i)	**5,229**	4,406
Interest expense	(ii)	**278,928**	121,115
An intermediate holding company:			
Rental income*	(i)	**84,568**	88,156
Property management fee income*	(i)	**11,698**	11,247
Interest expense	(v)	**91,927**	–
Building decoration service income	(i)	**2,788**	–
The ultimate holding company:			
Rental income*	(i)	**7,910**	7,910
Joint ventures:			
Interest income	(iv)	**1,605,299**	755,575
Interest expense	(v)	**48,461**	–
Consulting fee expense	(i)	**237,566**	142,586
Rental income	(i)	**3,793**	1,610
Property management fee income	(i)	**91,998**	42,224
Building decoration service income	(i)	**266,404**	74,455
Consulting fee income	(i)	**33,258**	30,360
Associates:			
Interest income	(iv)	**747,936**	134,657
Interest expense	(v)	**5,745**	11
Property management fee income	(i)	**47,921**	31,135
Building decoration service income	(i)	**245,830**	78,521
Consulting fee income	(i)	**60,538**	21,504
An associate of the Group's ultimate holding company:			
Rental income	(i)	**8,155**	36,740
Property management fee income	(i)	**34**	4,976
The substantial shareholder:			
Interest income*	(vi)	**30,042**	–
Interest expense	(vii)	**46,487**	–

46. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest expense was charged at rates ranging from 3.21% to 7.00% (2018: 3.01% to 3.10%) per annum.

(iii) The interest income was determined at rates ranging from 0.35% to 3.15% (2018: 0.35% to 2.18%) per annum.

(iv) The interest income was determined at rates ranging from 0.35% to 15.56% (2018: 2.46% to 10.26%) per annum.

(v) The interest expense was charged at rates ranging from 1.50% to 9.00% (2018: 7.00%) per annum.

(vi) The interest income was determined at rates ranging from 2.18% to 2.75% (2018: Nil) per annum.

(vii) The interest expense was charged at a rate of 5.50% (2018: Nil) per annum.

* A certain portion of these related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) **Compensation of key management personnel of the Group**

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**60,912**	59,904
Post-employment benefits	**3,154**	2,444
Equity-settled share option expense	**6,162**	1,499
Total compensation paid to key management personnel	**70,228**	63,847

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(c) **Transactions and balances with other state-owned entities**

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2019				2018			
	Financial assets at fair value through profit or loss				Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets								
Trade receivables	–	–	1,445,864	1,445,864	–	–	789,588	789,588
Financial assets included in prepayments, other receivables and other assets	–	–	21,861,857	21,861,857	–	–	16,150,987	16,150,987
Due from related parties	–	–	44,013,972	44,013,972	–	–	38,974,577	38,974,577
Due from non-controlling shareholders	–	–	1,069,839	1,069,839	–	–	3,625,331	3,625,331
Other financial assets	96,351	230,000	–	326,351	1,061,480	180,000	–	1,241,480
Derivative financial instruments	–	–	–	–	–	847	–	847
Long-term time deposit	–	–	3,300,000	3,300,000	–	–	–	–
Restricted bank balances	–	–	7,486,609	7,486,609	–	–	4,457,579	4,457,579
Cash and cash equivalents	–	–	17,194,702	17,194,702	–	–	21,324,200	21,324,200
	96,351	230,000	96,372,843	96,699,194	1,061,480	180,847	85,322,262	86,564,589

47. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	2019			2018		
	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities						
Trade and bills payables	–	18,995,534	18,995,534	–	11,692,844	11,692,844
Financial liabilities included in other payables and accruals (note 31)	–	16,453,050	16,453,050	–	20,884,710	20,884,710
Derivative financial instruments	53,124	–	53,124	44,769	–	44,769
Due to related parties	–	30,675,182	30,675,182	–	15,885,404	15,885,404
Interest-bearing bank and other borrowings	–	96,036,136	96,036,136	–	87,972,658	87,972,658
Lease liabilities	–	195,609	195,609	–	–	–
Long-term payables	–	70,000	70,000	–	–	–
	53,124	162,425,511	162,478,635	44,769	136,435,616	136,480,385

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets				
Derivative financial instruments	–	847	–	847
Other financial assets	326,351	1,241,480	326,351	1,241,480
Financial liabilities				
Derivative financial instruments	53,124	44,769	53,124	44,769
Interest-bearing bank and other borrowings	96,036,136	87,972,658	97,339,102	88,668,471

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, long-term time deposit, trade receivables, financial assets included in prepayments, other receivables and other assets, wealth management products included in other financial assets at fair value through profit or loss, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings except for notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through profit or loss included in other financial assets, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

	2019 RMB'000	2018 RMB'000
Derivative financial instruments	–	847
Other financial assets	326,351	1,241,480

The Group's assets were neither categorised in Level 1 nor Level 3 as at 31 December 2019 (2018: Nil).

Liabilities measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

As at 31 December 2019

	2019 RMB'000	2018 RMB'000
Derivative financial instruments	53,124	44,769

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

Assets for which fair values are disclosed:

The carrying amounts of the Group's financial assets were either measured at fair value in the statement of financial positions or approximate to fair values as at 31 December 2018 and 2019.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**27,584,520**	**69,754,582**	**–**	**97,339,102**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	18,589,681	70,078,790	–	88,668,471

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, and cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, including forward currency contracts and interest rate swaps. The purpose is to manage foreign currency risk arising from the Group's net investment in foreign operations, and to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2019		
RMB	**25**	**(46,092)**
US$	**25**	**(10,858)**
HK$	**25**	**(25,445)**
RMB	**(25)**	**46,092**
US$	**(25)**	**10,858**
HK$	**(25)**	**25,445**
31 December 2018		
RMB	25	(48,002)
US$	25	(6,343)
HK$	25	(38,205)
RMB	(25)	48,002
US$	(25)	6,343
HK$	(25)	38,205

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and has applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currencies out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the approval from the appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require the approval from the State Administration of Foreign Exchange, this could affect the ability of the Group's subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits and interest-bearing borrowings denominated in United States dollars and Hong Kong dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group have used derivative financial instruments to reduce the exposure to foreign currency borrowings.

The Group entered into the derivative financial instruments in respect of the cash flow hedges to minimise the foreign currency exposures as detailed in note 32 to the financial statements. It's the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and US$ on the Group's profits for the years ended 31 December 2019 and 2018.

Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2019 RMB'000	Increase/ (decrease) in profit for the year 2018 RMB'000
+1%	**(164,331)**	(121,208)
-1%	**164,331**	121,208

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2019 and 2018.

Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2019 RMB'000	Increase/ (decrease) in profit for the year 2018 RMB'000
+5%	**979**	1,084
-5%	**(979)**	(1,084)

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	267,009	267,009
Trade receivables*	–	–	–	1,445,864	1,445,864
Financial assets included in prepayments, other receivables and other assets					
– Normal**	21,861,857	–	–	–	21,861,857
Due from non-controlling shareholders	1,069,839	–	–	–	1,069,839
Due from related parties	44,013,972	–	–	–	44,013,972
Other financial assets	326,351	–	–	–	326,351
Long-term time deposit					
– Not yet past due	3,300,000	–	–	–	3,300,000
Restricted bank balances					
– Not yet past due	7,486,609	–	–	–	7,486,609
Cash and cash equivalents					
– Not yet past due	17,194,702	–	–	–	17,194,702
	95,253,330	–	–	1,712,873	96,966,203

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	154,500	154,500
Trade receivables*	–	–	–	789,588	789,588
Financial assets included in prepayments, other receivables and other assets					
– Normal**	16,150,987	–	–	–	16,150,987
Other financial assets	1,241,480	–	–	–	1,241,480
Restricted bank balances					
– Not yet past due	4,457,579	–	–	–	4,457,579
Cash and cash equivalents					
– Not yet past due	21,324,200	–	–	–	21,324,200
	43,174,246	–	–	944,088	44,118,334

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 25 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**30,178,188**	**22,237,272**	**38,204,185**	**14,855,638**	**105,475,283**
Lease liabilities	**91,418**	**54,688**	**43,431**	**70,876**	**260,413**
Trade and bills payables	**18,995,534**	**–**	**–**	**–**	**18,995,534**
Other payables	**16,453,050**	**–**	**–**	**–**	**16,453,050**
Derivative financial instruments	**18,133**	**8,349**	**26,642**	**–**	**53,124**
Due to related parties	**30,675,182**	**–**	**–**	**–**	**30,675,182**
Long-term payables	**11,305**	**17,211**	**51,633**	**–**	**80,149**
	96,422,810	**22,317,520**	**38,325,891**	**14,926,514**	**171,992,735**

	2018				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	25,545,021	23,446,626	42,473,085	6,778,898	98,243,630
Trade and bills payables	11,692,844	–	–	–	11,692,844
Other payables	20,884,710	–	–	–	20,884,710
Derivative financial instruments	–	11,974	32,795	–	44,769
Due to related parties	15,885,404	–	–	–	15,885,404
	74,007,979	23,458,600	42,505,880	6,778,898	146,751,357

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital on the basis of the net debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents, restricted bank balances and certain financial assets at fair value through profit or loss. Adjusted capital comprises all components of equity (including non-controlling interests) and the Company's amounts due to the immediate holding company. The Group aims to maintain the net debt-to-adjusted-capital ratio at a reasonable level. The net debt-to-adjusted-capital ratios as at the end of the reporting periods were as follows:

	Note	2019 RMB'000	2018 RMB'000
Interest-bearing bank and other borrowings	33	**96,036,136**	87,972,658
Less: Cash and cash equivalents, restricted bank balances and certain other financial assets		**(24,682,388)**	(26,783,978)
Net debt		**71,353,748**	61,188,680
Total equity		**85,858,181**	78,265,267
Add: The Company's amounts due to the immediate holding company		**10,065,072**	7,859,546
Adjusted capital		**95,923,253**	86,124,813
Net debt-to-adjusted-capital ratio		**74.4%**	71.0%

50. EVENT AFTER THE REPORTING PERIOD

(a) On 12 March 2020, Beijing Franshion Yicheng Properties Company Limited ("Yicheng Properties"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Sinochem Asset Management Co., Ltd. ("Sinochem Asset"), pursuant to which Yicheng Properties agreed to acquire 100% equity interests of Wuhan Huazi Enterprise Management Consulting Co., Ltd. ("Wuhan Huazi") from Sinochem Asset at a cash consideration of RMB6,850,000,000. Wuhan Huazi and its subsidiaries are principally engaged in the development, construction and operation of real estate projects in Qingdao, Tianjin and Wuhan, the PRC. Upon completion of the acquisition, Wuhan Huazi will become a wholly-owned subsidiary of the Group. The Group is in the process of seeking approval from its independent shareholders in respect of the aforesaid acquisition, and will publish an announcement on the voting results of the general meeting in due course.

(b) On 13 March 2020, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, has completed the issue of the medium-term notes with an aggregate principal amount of RMB2,500,000,000. The medium-term notes have a term of 3 years with a fixed rate of 3.1% per annum.

50. EVENT AFTER THE REPORTING PERIOD (Continued)

(c) On 18 February 2020, China Jin Mao (Group) Co. Ltd. ("China Jin Mao (Group)"), a non-wholly-owned subsidiary of the Company, has completed the issue of the super & short-term commercial paper in the national interbank market in the PRC, of an amount of RMB800,000,000 and with a maturity period of 270 days and an interest rate of 2.9% per annum.

On 19 March 2020, China Jin Mao (Group) has completed the issue of the medium-term note in the national inter-bank market in the PRC, of an amount of RMB500,000,000 and with a maturity period of three years and an interest rate of 3.28% per annum.

(d) The unexpected outbreak of coronavirus (COVID-19) has produced an adverse impact on the economy, including the real estate sector, in Mainland China in 2020. It is expected that the performance of the Group's hotel operations and the commercial leasing and retail operations in the first half of 2020 will be negatively affected. Besides, the pandemic also created uncertainties on the Group's city operations and property development operation.

Management of the Group will actively take measures to control the operating and labor costs of its hotels, pay attention to cash flow management, integrate external resources and adjust business plans to make full preparation for business recovery after the pandemic.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

51. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**112**	84
Right-of-use assets	**212**	–
Investments in subsidiaries	**24,199,756**	23,303,848
Total non-current assets	**24,200,080**	23,303,932
CURRENT ASSETS		
Due from subsidiaries	**63,569,478**	53,347,891
Prepayments, other receivables and other assets	**851,866**	25,815
Due from related parties	**1,392**	1,239
Cash and cash equivalents	**1,654,390**	365,650
Total current assets	**66,077,126**	53,740,595
CURRENT LIABILITIES		
Other payables and accruals	**352,861**	307,575
Due to related parties	**11,481,289**	7,880,281
Interest-bearing bank and other borrowings	**9,701,731**	3,405,733
Lease liabilities	**180**	–
Total current liabilities	**21,536,061**	11,593,589
NET CURRENT ASSETS	**44,541,065**	42,147,006
TOTAL ASSETS LESS CURRENT LIABILITIES	**68,741,145**	65,450,938
NON-CURRENT LIABILITIES		
Due to subsidiaries	**33,461,753**	26,399,240
Interest-bearing bank and other borrowings	**11,948,399**	17,302,455
Derivative financial instruments	**34,991**	32,794
Total non-current liabilities	**45,445,143**	43,734,489
Net assets	**23,296,002**	21,716,449
EQUITY		
Share capital	**21,250,860**	20,416,452
Reserves (note)	**2,045,142**	1,299,997
Total equity	**23,296,002**	21,716,449

Li Congrui
Director

Jiang Nan
Director

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	(1,216,958)	–	35,320	3,130,113	1,948,475
Repurchases of shares	–	–	–	(88,011)	(88,011)
Final 2017 dividend declared	–	–	–	(1,700,592)	(1,700,592)
2018 interim dividend declared	–	–	–	(1,201,481)	(1,201,481)
Total comprehensive income for the year	1,069,950	(32,794)	–	1,284,719	2,321,875
Equity-settled share option arrangements	–	–	21,911	–	21,911
Exercise of share options	–	–	(2,180)	–	(2,180)
Transfer of share option reserve upon the forfeiture of share options	–	–	(3,364)	3,364	–
At 31 December 2018 and 1 January 2019	(147,008)	(32,794)	51,687	1,428,112	1,299,997
Final 2018 dividend declared	–	–	–	(1,018,798)	(1,018,798)
2019 interim dividend declared	–	–	–	(1,273,730)	(1,273,730)
Total comprehensive income for the year	547,355	(2,197)	–	2,428,728	2,973,886
Equity-settled share option arrangements	–	–	84,016	–	84,016
Exercise of share options	–	–	(20,229)	–	(20,229)
Transfer of share option reserve upon the forfeiture of share options	–	–	(2,545)	2,545	–
At 31 December 2019	400,347	(34,991)	112,929	1,566,857	2,045,142

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2020.

THE COMPANY'S REGISTERED OFFICE
Rooms 4702-4703, 47th Floor
Office Tower
Convention Plaza
No. 1 Harbor Road
Wanchai
Hong Kong

THE ISSUER'S REGISTERED OFFICE THE ISSUER'S REGISTERED OFFICE
Portcullis Chambers
4th Floor
Ellen Skelton Building
3076 Sir Francis Drake Highway
Road Town, Tortola
British Virgin Islands
VG1110

TRUSTEE AND PAYING AGENT
The Bank of New York Mellon,
London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT
The Bank of New York Mellon SA/NV,
Luxembourg Branch
Vertigo Building – Polaris
2-4 Eugène Ruppert
L-2453 Luxembourg

OUR LEGAL ADVISERS

As to United States law and Hong Kong law:
Clifford Chance
27th Floor
Jardine House
One Connaught Place
Central
Hong Kong

As to British Virgin Islands law:
Walkers (Hong Kong)
15th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

LEGAL ADVISERS TO THE INITIAL PURCHASERS

As to United States law:
Mayer Brown
16th – 19th Floors
Prince's Building
10 Chater Road
Central
Hong Kong

As to PRC law:
JunHe LLP
20/F, China Resources Building
8 Jianguomenbei Avenue
Dongcheng District
Beijing 10005
China

LEGAL ADVISER TO THE TRUSTEE

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321

AUDITOR
Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

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Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), we have determined, and hereby notify all relevant persons (as defined in Section 309A of the SFA) that the Notes (as defined in the offering circular) are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

The Notes are not intended to 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 (as amended), 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.

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Franshion Brilliant Limited
方興光耀有限公司

(incorporated in the British Virgin Islands with limited liability)

US$600,000,000 3.200% Guaranteed Senior Notes due 2026
unconditionally and irrevocably guaranteed by

CHINA JINMAO HOLDINGS GROUP LIMITED
中國金茂控股集團有限公司

(a company incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

We are offering 3.200% Guaranteed Senior Notes due 2026 in the aggregate principal amount of US$600,000,000 (the "**Notes**"). The Notes will mature on April 9, 2026 and will bear interest at 3.200% per annum payable semi-annually in arrears on April 9 and October 9 of each year, commencing on October 9, 2021. Franshion Brilliant Limited 方興光耀有限公司 (the "**Issuer**") may redeem some or all of the Notes at any time at the redemption price described in "Description of the Notes." If China Jinmao Holdings Group Limited (the "**Company**" or "**Guarantor**") experiences specified kinds of changes in control and a rating decline occurs, the Issuer must offer to purchase the Notes at a price equal to 101% of their principal amount plus unpaid accrued interest. The Issuer may redeem all but not some of the Notes upon the occurrence of certain changes in applicable tax laws.

The Notes are senior obligations of the Issuer that are guaranteed by the Company. The Company's guarantee of the Notes is referred to as the "**Guarantee**." The Notes and the Guarantee will rank at least equally in right of payment with all existing and future senior debt of the Issuer and the Company, respectively. The Notes and the Guarantee will respectively be effectively subordinated to all of the Issuer's and the Company's existing and future debt that is secured by assets that do not secure the Notes or Guarantee to the extent of the assets securing the debt. The Guarantee will be structurally subordinated to all liabilities (including trade payables) of all of the Company's subsidiaries.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of, and permission to deal in the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only. This document is for distribution to Professional Investors only.

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

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully the risks involved.

Pursuant to Enterprise Foreign Debt Registration Certificate (Fa Gai Ban Wai Zi Bei [2020] No. 214) (企業借用外債備案登記證明(發改辦外資備[2020]214號)) (the "**Certificate**") issued by the National Development and Reform Commission ("**NDRC**"), Sinochem Group (as defined herein), the ultimate parent of the Company, has been granted a quota of foreign debt by the NDRC on April 17, 2020 (the "**Quota**"). The Issuer is expected to be, prior to the issuance of the Notes, permitted to utilize the Quota for the purpose of the issue of the Notes pursuant to an authorization letter issued by Sinochem Group (the "**Authorization Letter**") on July 20, 2020. Pursuant to the Certificate, as the Notes will be issued within the Quota, none of the Issuer, the Company or Sinochem Group is required to complete the pre-issuance registration in respect of the Notes with the NDRC but is still required to file with the NDRC the requisite information on the issuance of the Notes after the issuance of such Notes. The Company intends to provide the requisite information on the issuance of the Notes to the NDRC within the time period prescribed by the Certificate, the terms of the Quota and the applicable requirements of Sinochem Group relating to such filing.

The Notes are expected to be assigned a rating of "BBB-" by Fitch Ratings Inc. or its affiliate ("**Fitch**"). Such rating of the Notes does not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by Fitch. Such rating should be evaluated independently of any other rating of the other securities of the Issuer or the Company.

Investing in the Notes involves risks. Please see "Risk Factors" beginning on page 14.

Issue Price: 99.908% of principal amount

The Notes and the Guarantee have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes and the Guarantee are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.

The Notes will be evidenced by a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders.

Except as described herein, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup **J.P. Morgan** **BOSC International** **The Bank of East Asia, Limited**

Offering Circular dated March 30, 2021

NOTICE TO INVESTORS

This offering circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Notes. Each of the Issuer, the Company, Citigroup Global Markets Limited, J.P. Morgan Securities plc, BOSC International Company Limited and The Bank of East Asia, Limited (the "**Initial Purchasers**"), reserves 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 placed hereby.

This offering circular is personal to the prospective investor to whom it has been delivered by the Initial Purchasers 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 circular 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 the Issuer's prior written consent is prohibited. The prospective investor, by accepting delivery of this offering circular, agrees to the foregoing and agrees not to make any photocopies of this offering circular.

This offering circular 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 and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering circular has been obtained by the Issuer or the Company from publicly available sources deemed by it to be reliable. Notwithstanding any investigation that the Initial Purchasers may have conducted with respect to the information contained herein, the Initial Purchasers and their affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls any of them do not accept any liability in relation to the information contained in this offering circular or its distribution or with regard to any other information supplied by or on the Issuer's or the Company's behalf.

This offering circular may only be used where it is legal to sell the Notes.

None of the Initial Purchasers, The Bank of New York Mellon, London Branch as trustee and paying agent (the "**Trustee**" and "**Paying Agent**", respectively), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar and transfer agent (the "**Registrar**" and "**Transfer Agent**", respectively, and together with the Paying Agent, the "**Agents**") or any of their respective affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls of any them have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility is accepted by any of the Initial Purchasers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls any of them. The information in this document may only be accurate at the date of this offering circular. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, imply that there has been no change or development in the Company's or the Issuer's affairs and those of each of their respective subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof.

Investors hereby acknowledge that (i) they have not relied on the Initial Purchasers, the Trustee, the Agents or any person affiliated with the Initial Purchasers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or their investment decision and have conducted their own investigation with respect to the Company and the Notes; (ii) they have received all information that they believe is necessary or appropriate in connection with its purchase of the Notes; (iii) no person has been authorized to give any information or to make any representation concerning the Issuer, the Company, the Notes or the Guarantee (other than as contained herein and information given by the Issuer's or the Company's duly authorized officers and employees, as applicable, in connection with investors' examination of the Issuer and the Company, and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Company, the Initial Purchasers, the Trustee or the Agents; (iv) they have consulted their own independent advisors or otherwise have satisfied themselves concerning, without limitation, the tax, legal, currency and other economic considerations related to the investment in the Notes, and have only relied on the advice of, or have only consulted with, such independent advisers; (v) they have such knowledge and experience in financial and business matters and in participating in transactions such as the offering contemplated herein that they are capable of evaluating the merits and risks of the prospective investment in the Notes; (vi) they will not look to the Initial Purchasers or any of their affiliates, or their affiliates' officers, directors, employees or agents in respect of any such loss arising from their investments in the Notes; and (vii) they have authorized the Initial Purchasers, the Trustee and the Agents to rely upon the truth and accuracy of the abovementioned acknowledgments and undertakings. None of the Initial Purchasers, the Trustee or any Agent undertakes to review the financial condition or affairs of the Issuer or the Company during the life of the arrangements contemplated by this offering circular nor to advise any investor or prospective investor in the Notes of any information coming to the attention of the Initial Purchasers, the Trustee or any Agent.

In making an investment decision, prospective investors must rely on their examination of the Issuer and the Company and the terms of this offering, including the merits and risks involved.

This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, any person in any jurisdiction in which it is unlawful for such person to make such offer or solicitation.

IN CONNECTION WITH THIS OFFERING, ANY OF THE INITIAL PURCHASERS, APPOINTED AS AND ACTING IN ITS CAPACITY AS THE STABILIZATION MANAGER, (THE "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. HOWEVER, THE STABILIZATION MANAGER, OR ANYONE ACTING FOR IT, IS NOT OBLIGATED TO DO THIS. IF THESE ACTIONS ARE COMMENCED, THEY SHALL BE UNDERTAKEN IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS, AND AS A RESULT THEREOF 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 THAT IS NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES OFFERED HEREBY AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

None of the Issuer, the Company, the Initial Purchasers, the Trustee, the Agents, or any of their respective affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls of any them is making any representation to any offeree or purchasers of the Notes placed hereby regarding the legality of any investment by such offeree or purchasers 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 Initial Purchasers, the Trustee or the Agents makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering circular. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or any of the Agents or any of their respective affiliates, directors, officers, employees, advisors, representatives, agents or any person who controls any of them accepts any responsibility for the contents of this offering circular or for any other statement made or purported to be made by the Initial Purchasers or on their behalf in connection with the Issuer and the Company or the issue and offering of the Notes or the Guarantee. Each of the Initial Purchasers, the Trustee, the Agents and any of their respective affiliates, directors, officers, employees, or advisers accordingly disclaims any and all liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement. None of the Initial Purchasers, the Trustee, the Agents or

any of their respective affiliates, directors, officers, employees, advisers, representatives, agents or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer or the Company during the life of the arrangements contemplated by this offering circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Initial Purchasers, the Trustee or the Agents.

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

The distribution of this offering circular and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering circular, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales.

In connection with Section 309B of the SFA and the Securities and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), 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.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") or (ii) a customer within the meaning of the Financial Services and Markets Act 2000 ("**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 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.

UK MIFIR PRODUCT GOVERNANCE/ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties (as defined in the FCA Handbook Conduct of Business Sourcebook and professional clients (as defined in UK MiFIR) only, and (ii) all channels for distribution of the Notes to such eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**UK distributor**") should take into consideration the manufacturers' target market assessment; however, a UK distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Persons into whose possession this offering circular comes are required by the Issuer, the Company, the Initial Purchasers, the Trustee and the Agents to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the possession or distribution of this offering circular or any offering or publicity materials relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, the Company giving the Guarantee and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. See "*Plan of Distribution*" for a description of certain restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this offering circular, references to:

- "**we**", "**our**", "**us**", "**the Company**", "**the Group**" and "**the Guarantor**" are to China Jinmao Holdings Group Limited, and, as the context requires, its consolidated subsidiaries;

- the "**Issuer**" are to Franshion Brilliant Limited 方興光耀有限公司, a wholly-owned subsidiary of the Company;

- the "**PRC**" or "**China**" are to the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

- "**Sinochem Group**" are to Sinochem Group, a PRC wholly state-owned enterprise under the supervision of SASAC, and the ultimate parent of the Company;

- "**contracted sales**" are to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, average selling price and GFA) through our internal records, and such information has not been audited or reviewed by our auditors. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this offering circular should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering circular should not be unduly relied upon as a measure or indication of our current or future operating performance;

- "**Sinochem Corporation**" are to Sinochem Corporation, a joint stock limited liability company incorporated in the PRC in 2009, in which Sinochem Group holds 100% interest;

- "**Sinochem Hong Kong**" are to Sinochem Hong Kong (Group) Company Limited (formerly known as Sinochem Hong Kong (Holdings) Company Limited), a company incorporated with limited liability in Hong Kong in 1989, which is wholly-owned by Sinochem Corporation;

- "**Jin Mao Group**" are to China Jin Mao (Group) Co., Ltd., a company established under the laws of the PRC in 1995 and our wholly-owned subsidiary;

- "**Shanghai Pudong Jinxin**" are to Shanghai Pudong Jinxin Real Estate Development Co., Ltd., a company established under the laws of the PRC in 1995, in which we hold a 50% interest and Shanghai Real Estate holds a 50% interest;

- "**Shanghai Real Estate**" are to Shanghai Real Estate (Group) Co., Ltd., a company established under the laws of the PRC in 1983;

- "**PBOC**" are to the People's Bank of China;

- "**SAFE**" are to the State Administration of Foreign Exchange of the PRC;

- "**SASAC**" are to the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;

- "**MOFCOM**" are to the Ministry of Commerce of the PRC;

- "**US$**", "**USD**" and "**U.S. dollars**" are to United States dollars, the official currency of the United States of America;

- "**HK$**" and "**HK dollars**" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region; and

- "**RMB**", "**CNY**" or "**Renminbi**" are to the Renminbi, the official currency of the PRC.

Solely for your convenience, this offering circular contains translations of certain Renminbi amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.5250 to US$1.00, respectively, the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States ("**Federal Reserve Board**") on December 31, 2020. Further information on exchange rates is set forth in "Exchange Rate Information."You should not construe these translations as representations that the Renminbi amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all.

GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain terms in this offering circular that are commonly used in connection with our business. The terms and their meanings may not correspond to standard industry meanings or usages of those terms.

"**aggregate GFA**"	the total of saleable/rentable GFA and non-saleable/rentable GFA
"**construction land planning permit**"	the construction land planning permit (建設用地規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"**construction permit**"	the construction works commencement permit (建設工程施工許可證) issued by a local governmental construction committee or some other relevant government authority
"**construction works planning permit**"	the construction works planning permit (建設工程規劃許可證) issued by a local urban zoning and planning bureau or some other relevant government authority
"**GFA**"	gross floor area
"**land bank**"	the total amount, in terms of aggregate GFA, of: (i) completed properties that have not been sold or delivered, (ii) properties under development, and (iii) properties held for future development (including those for which we have entered into a land grant contract but have not obtained the land use rights certificate)
"**land grant contract**"	the state-owned land use right grant contract (國有土地使用權出讓合同) entered into with a land administration bureau or some other relevant government authority in respect of the grant of state-owned land use rights
"**land use right certificate**"	the state-owned land use right certificate (土地使用證) issued by a local land and resources bureau or some other relevant government authority
"**LAT**"	land appreciation tax (中華人民共和國土地增值稅)
"**mu**"	a unit of area equivalent to 6662/3 sq.m.
"**non-saleable/rentable GFA**"	the amount of GFA that is not for sale or for rent, which typically includes communal facilities and service areas
"**pre-sale permit**"	the commodity property pre-sale permit (商品房預售許可證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority
"**property ownership certificate**"	the property ownership certificate (房地產權證) issued by a local land and resources and/or housing administration bureau or some other relevant government authority

“**saleable/rentable GFA**”............... the amount of GFA that a property developer intends to sell or rent and that does not exceed the multiple of the site area and the maximum permissible plot ratio

“**sq.m.**” .... square meter

PRESENTATION OF FINANCIAL AND OTHER DATA

Our consolidated financial and other information as of and for the years ended December 31, 2018, 2019 and 2020 are included elsewhere in this offering circular and have been extracted from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020. See "*Index to Financial Statements*."

Our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 are prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been audited by Ernst & Young, the Company's independent auditor, in accordance with Hong Kong Standards on Auditing issued by the HKICPA. HKFRS differs in certain material respects from generally accepted accounting principles of other jurisdictions.

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

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- our ability to obtain permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our customers 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 third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as "may," "will," "should," "could," "would," "expect," "intend," "plan," "anticipate," "going forward," "ought to," "seek," "project," "forecast," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantees of future performance.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled "*Risk Factors*" in this offering circular.

Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering circular, whether as a result of new information, future events or otherwise after the date of this offering circular. All forward-looking statements contained in this offering circular are qualified by reference to the cautionary statements set forth in this section.

CONTENTS

SUMMARY

Overview

We are a leading property developer and operator of large-scale and high-end residential and commercial real estate projects and engage in other real estate and hotel activities and businesses in major cities and popular vacation destinations in the PRC. Our ultimate parent company, Sinochem Group, is currently one of the 21 SOEs approved by SASAC to principally engage in real estate businesses, and one of six SOEs approved by SASAC to engage in hotel operations. Sinochem Group was rated "A" in corporate performance by SASAC and Moody's, S&P and Fitch have assigned a corporate rating of "A3", "A-" and "A", respectively, with a stable outlook to Sinochem Hong Kong, a wholly-owned subsidiary of Sinochem Corporation.

We pursue development opportunities at prime locations in China's major cities and have established an integrated development platform in three major business segments: city operations and property development, commercial leasing and retail operations and hotel operations. Our projects are located in Beijing, Shanghai, Chongqing, Shenzhen (Guangdong Province), Sanya (Hainan Province), Qingdao (Shandong Province), Changsha (Hunan Province), Nanjing (Jiangsu Province), Suzhou (Jiangsu Province), Lijiang (Yunnan Province), among other locations, and include notable developments such as the Jin Mao Tower, the Beijing Chemsunny World Trade Center, the Westin Beijing, Chaoyang and the Ritz-Carlton, Sanya.

The following map depicts the major cities in which we have city operations and property development projects, investment properties and hotels:

In adherence to our vision of "Unleashing Future Vitality of the City", we focus on high-end positioning and premium quality and we endeavour to become a leading city operator in China. Based on our forecasts for future city development, we have integrated the concept of mutually beneficial city planning to enhance regional functions and city vitality. Currently, we have successfully entered the markets China's rapidly developing regions including the Beijing-Tianjin-Hebei Metropolitan Region, the Yangtze River Delta and the Pearl River Delta. As of December 31, 2020, we were engaged in over 270 city operations and property development projects in 51 core cities including Beijing, Tianjin, Shanghai and Guangzhou.

We have won numerous industry awards:

Major Integrated Awards

- In March 2019, at the "2019 China Top 100 Real Estate Developers Research Conference cum the 16th China Top 100 Real Estate Developers Summit" jointly organized by the three research institutes, namely the Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy, we were ranked the 22nd among the "2019 China Top 100 Real Estate Developers," and honored with the titles of "2019 China Top 100 Real Estate Developers by Profitability Top 10," "2019 China Top 100 Real Estate Developers by Growth Top 10" and "2019 China Top 100 Real Estate Developers by Financing Capabilities Top 10."

- In March 2019, at the 2019 Guardian Annual Forum organised by the Guardian Index Academy, we were ranked 14th among the 2019 Real Estate Excellence Top 100 in the PRC.

- In June 2019, we were ranked among the "15th China Blue Chip Real Estate Developers for 2019" at the 16th China Blue Chip Real Estate Developer Annual Conference organized by Economic Observer, an authoritative media.

- In August 2019, we were ranked among 449th of the 2019 Top 500 Asian Brands organized by the World Brand Lab for the first time.

- In September 2019, we were ranked 32nd among the 2019 Top 50 Most Valuable Real Estate Development Brands at the "Appraisal Results Conference of 2019 China Real Estate Developers cum Real Estate Brand Development Summit" jointly organized by the China Real Estate Association, Shanghai E-house Real Estate Academy and China Real Estate Brand Appraise Center.

- In September 2019, we were granted the China Jinmao AAA among the 2019 Top 50 China Real Estate Green Credit Ranking organised by the Investment Association, Green Ranking and Finance.

- In December 2019, we were ranked first among the 2019 Top 10 Most Competitive Green Property Developers in the PRC and were named one of the 2019 Top 10 Most Competitive Green Commercial Property Operators in China at the 21st China International Real Estate & Architectural Technology Fair (2019).

- In April 2020, we were awarded the title of "Comprehensive Brand Power Company" in the 17th Blue Chip Annual Conference in 2020 hosted by the Economic Observer.

- In November 2020, we were awarded the title of "2020 Outstanding City Operator" at the annual China Enterprise Competitiveness Conference organized by China Business News.

Major City Operations and Property Development Awards

- In March 2019, Beijing Daxing Jinmao Residence Project earned the "2019 Most Anticipated Development" at the Leju Beijing Innovation Summit cum Leju Award Ceremony of the Best Property Agency (樂居北京創新峰會暨樂居地產群英會頒獎典禮) organised by Sina Leju, and was honoured the "Most Valuable Residential Development in Glorious Twenty Years" 榮耀20年典藏人氣住宅) at the 20th Anniversary of Sohu Focus Brand Fair organised by Sohu Focus.

- In May 2019, Chengdu Wuhou Jinmao Palace won the title of "2019 Most Popular Real Estate Project in Chengdu Amongst Internet Users" at the 15th China Property Network Popularity

Rankings (第十五屆中國房地產網絡人氣榜); in December 2019, it gained the title of "2019 Brand Value Property on the 2019 China Real Estate Billboard" (2019中國房產風雲榜2019年度品牌價值樓盤) by Anjuke.

- In July 2019, Qingdao Jimo International Smart New City Project obtained "BREEAM 3-star Certificate" granted by BRE Global Limited in the United Kingdom.

- In September 2019, the Shanghai Jinmao North Bund Land Project earned the "US LEED Certified Gold Rating."

- In December 2019, the Beijing Future Jinmao Palace Project was honoured with the Elite Science and Technology Award – Outstanding Green Community (精瑞科學技術獎綠色社區優秀獎) at the CRECC 2019 Annual Conference/the 16th Elite Habitat Award Forum approved by the Ministry of Science and Technology of the People's Republic of China and the National Office for Science and Technology Awards and organized by CRECC; the Beijing Serenity Palace Project was honoured with the Elite Science and Technology Award in Landscape Planning and Design (精瑞科學技術獎園林景觀規劃與設計優秀獎).

Major Hotel Awards

- In April 2019, Jinmao Hotel was titled the "2019 China Hotel Starlight Awards – Best Hotel Owner in China" (中國酒店業最佳業主) at the 2019 Asia Hotel Forum and Travel Annual Meeting cum the 14th China Hotel Starlight Awards.

- In September 2019, Jinmao Hotel was honoured with the title of "2019 Best Hotel Owner in China" at the 16th Golden Pillow Award of China Hotels (第十六屆中國酒店「金枕頭獎 – 2019年度中國最佳酒店業主」).

- In November, Jinmao Hotel Lijiang • The Unbound Collection by Hyatt won the award of "the Hotel as the Best Destination" (最佳旅行目的地酒店) by the Examination Board of the Best Hotels (最佳酒店評選委員會).

Office and Other Project Awards

- In May 2019, Jinmao Property was ranked the 22nd among the "2019 Top 100 Property Service Companies" at the 2019 China Top 100 Real Estate Services' Latest Research Results Conference cum the 12th China Top 100 Real Estate Service Entrepreneur Summit (2019中國物業服務百強企業研究成果發佈會暨第十二屆中國物業服務百強企業家峰會)" organised by the China Index Academy and the China Real Estate Top 10 Research Team (中國房地產TOP10研究組).

- In August 2019, Jin Mao Tower was honoured with the title of "World's 50 Most Influential Tall Buildings" (全球50座最具影響力高層建築) by the Council on Tall Buildings and Urban Habitat.

- In September 2019, JM Capital was named one of the "2019 Top 50 Popular Institution for Private Equity Investment Among Start-ups in China" (2019年中國最受創業者歡迎私募股權投資機構TOP50) by 36Kr.com.

- In October 2019, Jin Mao Tower gained the platinum certification of LEED for Building Operations & Maintenance: Existing Buildings by U.S. Green Building Council at the 2019 Greenbuild China.

- In November 2019, Jinmao's Retail was named among the "TOP 100 Commercial Real Estate Developers with Outstanding Business Performance" (中國商業地產TOP100暨商業表現獎) in the

2019 China Commercial Real Estate Development Annual Report issued by the Guandian Index Academy (觀點指數研究院) at the 2019 Guandian Annual Commercial Convention.

- In November 2019, Jinmao Green Building was awarded the medal of "Strategic Partners of BREEAM" (BREEAM戰略合作夥伴) by BRE.

As of December 31, 2020, the total amount of our contracted sales was approximately RMB231.1 billion, and the amount of sales of properties and land contracted by us but not yet delivered and settled was approximately RMB301.7 billion. As of December 31, 2020, we have an aggregate GFA of 803,006 sq.m. of investment properties in our commercial leasing and retail operations business and a total of 3,968 rooms occupying an aggregate GFA of 637,191 sq.m. in our 10 hotel properties.

The following table sets forth our revenue by business segments.

	Year Ended December 31,					
	2018		2019		2020	
	(audited)		(audited)		(audited)	
	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)
City operations and property development	33,734.2	87	37,721.4	87	54,366.5	91
Commercial leasing and retail operations	1,449.8	4	1,446.8	3	1,461.4	2
Hotel operations	2,047.9	5	1,967.1	5	1,257.8	2
Others	1,500.8	4	2,220.6	5	2,968.2	5
Total	38,732.7	100	43,355.9	100	60,053.9	100

For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB38,732.7 million, RMB43,355.9 million and RMB60,053.9 million, respectively, and the profit attributable to owners of the parent and non-controlling interests was RMB7,376.7 million, RMB8,629.1 million and RMB6,195.1 million, respectively.

The following table sets forth our gross profit margin by business segments.

	Year Ended December 31,		
	2018	2019	2020
	Gross profit margin (%)		
Overall	38	29	20
City operations and property development	36	27	18
Commercial leasing and retail operations	87	87	86
Hotel operations	49	49	43

Basic earnings per share for the year ended December 31, 2020 were RMB31.86 cents, representing a decrease of 43% as compared with RMB55.64 cents for the year ended December 31, 2019. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was RMB26.51 cents for the year ended December 31, 2020, compared with RMB52.74 cents for the year ended December 31, 2019.

In August 2007, we were listed on the Main Board of the SEHK and are currently one of the component stocks of the Hong Kong Hang Seng Composite Index, Morgan Stanley Capital International China Index and National Association of Real Estate Investment Trust Global Emerging Index.

In 2014, the Company completed the spin-off of the properties in Jin Mao Tower and eight high-end hotels. As a result, our hotel operations were successfully and separately listed on the SEHK by trust structure under the name of Jinmao Hotel & Jinmao (China) Hotel Investments and Management Limited (formerly known as Jinmao Investments and Jinmao Holdings) (stock code: 06139). The spin-off and listing of the hotel operations segment effectively released the value of the hotel assets, expanded our investment and financing channels and improved the capital structure of the Company. The initial property portfolio for this spin-off includes: Jin Mao Tower (comprising Grand Hyatt Shanghai, office, retail and tourist areas), The Westin Beijing Chaoyang, JW Marriott Shenzhen, The Ritz-Carlton, Sanya, Hilton Sanya Resort and Spa, Hyatt Regency Chongming, Renaissance Beijing Wangfujing and Grand Hyatt Lijiang. Following our privatization of Jinmao Hotel & Jinmao (China) Hotel Investments and Management Limited by way of a scheme of arrangement, its listing on SEHK has been withdrawn on October 5, 2020. See "*Business – Recent Developments – Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel*" for more details.

Competitive Strengths

We believe that the following factors contribute to our strong competitive position:

- Balanced portfolio of property developments and investments
- Geographically diverse businesses in prime locations in strategically targeted markets with high growth potential
- Strong support from our ultimate parent company, Sinochem Group, one of China's twenty one SOEs under the direct supervision of SASAC allowed to develop and invest in real estate as part of its core businesses
- Access to a prime land bank well-suited to our real estate development model
- Experienced management team
- Strong brands and track record in developing innovative, high-end projects with high-quality construction
- Track record of prudent financial management and access to diverse funding sources
- Pioneer in green strategy to achieve innovation driven, long-term growth

Strategies

We aim to continue to grow as a leading developer and operator of high-end commercial properties, residential properties, mixed-use commercial complexes and luxury hotels in the PRC. We continue to adhere to "two-wheel and two-wing driven" development strategy and constantly strengthen the growth vitality of our core businesses of property development and property holding while accelerating the transformation and implementation of our innovation businesses, such as finance and services, with a view to enhancing the overall strength. We plan to achieve this goal through the following strategies:

- Continue to focus on the development and operation of high-end real estate projects in prime locations in major cities and popular vacation destinations
- Maintain a balanced portfolio of property developments and investments encompassing a variety of property types
- Continue to collaborate with local governments to diversify our sources of high quality land bank

- Continue to leverage our project development expertise, our relationship with Sinochem Group and our established SOE network to secure high-quality land resources

- Continue to enhance our brand awareness to stimulate sales and property prices

- Continue to incorporate innovation into our projects, creating technologically advanced and innovative projects

- Continue to implement green strategy to achieve innovative development and differentiated competition

Recent Developments

Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel

On June 12, 2020, the Company, Jinmao (China) Hotel Investments and Management Limited ("**Jinmao Hotel Investments and Management**") and Jinmao Hotel made a joint announcement, in which the Company requested the boards of Jinmao Hotel and Jinmao (China) Investments Manager Limited, in its capacity as trustee-manager of Jinmao Hotel, to put forward a proposal for the privatization of Jinmao Hotel and Jinmao Hotel Investments and Management. On September 28, 2020, the proposal for the privatization of Jinmao Hotel and Jinmao Hotel Investments and Management by way of a scheme of arrangement became effective. The total amount of cash paid for the privatization was approximately HK$3,190.5 million.

Redemption of subordinated guaranteed perpetual capital securities

On February 4, 2021, the Company exercised its optional redemption right to redeem the 2016 Perpetual Securities at the redemption price equal to the outstanding principal amount thereof plus any distributions (including any arrears of distribution and additional distribution amounts) accrued to (but excluding) February 4, 2021. The 2016 Perpetual Securities were redeemed in full on February 4, 2021, and after the redemption, there is no 2016 Perpetual Securities outstanding.

Issuance of subordinated guaranteed perpetual capital securities

On February 8, 2021, the Issuer issued the 2021 Perpetual Securities.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The summary consolidated financial and other information as of and for the years ended December 31, 2018, 2019 and 2020 set forth below are derived from our audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 included in this offering circular. This information should be read in conjunction with the financial statements, as well as the notes thereto, included elsewhere in this offering circular.

Our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 are prepared and presented in accordance with the HKFRS. HKFRS differs in certain material respects from generally accepted accounting principles in other jurisdictions.

Consolidated Income Statement

	For the year ended December 31,		
	2018	**2019**	**2020**
	(audited)	(audited and restated)	(audited)
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Revenue	38,732,667	43,355,941	60,053,878
Cost of sales	(24,194,452)	(30,591,198)	(47,939,514)
Gross profit	14,538,215	12,764,743	12,114,364
Other income and gains	2,722,393	6,135,704	8,698,685
Selling and marketing expenses	(1,051,610)	(1,302,401)	(1,600,582)
Administrative Expenses	(2,417,509)	(3,056,412)	(3,529,395)
Other expenses and losses	(36,146)	(6,916)	(4,381,312)
Finance costs	(2,420,573)	(2,270,766)	(2,726,978)
Share of profits and losses of joint ventures	369,183	722,390	371,098
Share of profits and losses of associates	10,749	(132,653)	698,297
Profit before tax	11,714,702	12,853,689	9,644,177
Income tax expense	(4,337,978)	(4,195,030)	(3,449,056)
Profit for the year	7,376,724	8,658,659	6,195,121
Attributable to owners of the parent	5,210,888	6,481,751	3,880,986
Non-controlling interests	2,165,836	2,176,908	2,314,135
	7,376,724	8,658,659	6,195,121

Other Financial Data

	For the year ended December 31,		
	2018	2019	2020
	(RMB'000/except percentages)		
EBITDA[(1)]	14,336,369	14,875,994	12,114,092
EBITDA margin[(2)]	37%	34%	20%

(1) EBITDA consists of profit for the year before net finance costs, income tax expenses, depreciation, amortization and fair value gains on investment properties and fair value gains on transfer from properties held for sale to 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 financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. 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.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

The following table reconciles our profit for the year under HKFRS to EBITDA for the periods indicated:

	For the year ended December 31,		
	2018	2019	2020
	(audited)	(audited and restated)	(audited)
	(RMB'000)	(RMB'000)	(RMB'000)
Profit for the year	7,376,724	8,658,659	6,195,121
Adjustments for:			
Net finance costs	2,420,573	2,270,766	2,726,978
Income tax expense	4,337,978	4,195,030	3,449,056
Depreciation	369,426	409,043	462,969
Recognition of prepaid land lease payments/depreciation of right-of-use assets	54,270	139,829	165,149
Amortization of intangible assets	10,755	13,407	20,940
Fair value gains on investment properties	(189,380)	(454,695)	(906,121)
Fair value gains on transfers from properties held for sale to investment properties	(43,977)	(356,045)	–
EBITDA	14,336,369	14,875,994	12,114,092

Consolidated Statement of Financial Position Data

	As of December 31,		
	2018	2019	2020
	(audited)	(audited and restated)	(audited)
	(RMB'000)	(RMB'000)	(RMB'000)
NON-CURRENT ASSETS			
Property, plant and equipment	10,729,103	10,911,268	11,307,055
Properties under development	50,127,258	69,270,546	59,355,429
Land under development	9,571,548	10,705,213	10,494,640
Investment properties	29,205,862	31,260,683	33,315,404
Right-of-use assets	–	1,614,306	1,635,192
Prepaid land lease payments	1,458,246	–	–
Intangible assets	44,815	50,023	107,472
Investments in joint ventures	7,346,601	11,511,385	16,319,443
Investments in associates	6,698,667	7,597,657	11,105,070
Due from related parties	1,967,350	8,257,752	14,413,792
Deferred tax assets	1,897,894	2,708,346	3,052,845
Due from non-controlling shareholders	3,625,331	1,069,839	866,814
Other receivables and other assets	300,000	359,599	410,581
Other financial assets	1,239,281	325,274	146,669
Long-term time deposit	–	3,300,000	–
Total non-current assets	124,211,956	158,941,891	162,530,406
CURRENT ASSETS			
Properties under development	48,471,834	62,241,273	79,473,565
Properties held for sale	8,991,061	11,783,581	19,399,605
Land under development	3,099,645	1,990,602	1,429,269
Inventories	120,197	174,174	175,892
Trade receivables	789,588	1,445,864	446,776
Prepayments, other receivables and other assets	20,020,799	30,252,240	38,075,532
Due from related parties	37,007,227	38,264,973	28,145,679
Contract assets	154,500	267,009	789,328
Prepaid tax	2,986,611	4,062,185	4,711,321
Other financial assets	2,199	1,077	501,047
Derivative financial instruments	847	–	–
Restricted bank balances	4,457,579	7,510,751	8,622,174
Cash and cash equivalents	21,324,200	17,945,788	43,455,580
Total current assets	147,426,287	175,939,517	225,225,768
CURRENT LIABILITIES			
Trade and bills payables	11,692,844	19,086,939	21,906,848
Other payables and accruals	68,158,124	82,790,873	104,802,117
Interest-bearing bank and other borrowings	21,976,235	26,911,435	27,771,429
Lease liabilities	–	75,244	96,548
Due to related parties	15,885,404	31,903,445	38,135,983
Tax payable	1,697,365	2,574,728	2,282,501
Dividend payable	–	–	–
Derivative financial instruments	–	18,133	10,403
Provision for land appreciation tax	2,680,888	3,290,135	2,074,146
Total current liabilities	122,090,860	166,730,932	197,079,975
NET CURRENT ASSETS	25,335,427	9,208,585	28,145,793
TOTAL ASSETS LESS CURRENT LIABILITIES	149,547,383	168,150,476	190,676,199

	As of December 31,		
	2018	2019	2020
	(audited)	(audited and restated)	(audited)
	(RMB'000)	(RMB'000)	(RMB'000)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	65,996,423	69,580,251	69,806,849
Long-term payables	–	70,000	71,996
Lease liabilities	–	120,365	1,003,027
Derivative financial instruments	44,769	34,991	85,389
Due to related parties	–	–	11,053,950
Deferred tax liabilities	5,240,924	5,910,515	6,827,906
Total non-current liabilities	71,282,116	75,716,122	88,849,117
Net assets	78,265,267	92,434,354	101,827,082
EQUITY			
Equity attributable to owners of the parent			
Share capital	20,416,452	21,250,860	26,132,248
Other reserves	15,379,784	24,697,500	20,629,816
	35,796,236	45,948,360	46,762,064
Non-controlling interests	42,469,031	46,485,994	55,065,018
Total equity	78,265,267	92,434,354	101,827,082

THE OFFERING

The following summary of the offering contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes, see "Description of the Notes."

Issuer	Franshion Brilliant Limited 方興光耀有限公司
Guarantor	China Jinmao Holdings Group Limited
Notes Offered	US$600,000,000 aggregate principal amount of 3.200% Guaranteed Senior Notes due 2026 (the "**Notes**").
Guarantee	The Company will guarantee the due and punctual payment of principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.
Issue Price	99.908% of principal amount of the Notes.
Issue Date	April 9, 2021
Maturity Date	April 9, 2026
Interest	The Notes will bear interest from and including April 9, 2021 at the rate of 3.200% per annum, payable semi-annually in arrears.
Interest Payment Dates	Semi-annually in arrears on April 9 and October 9 of each year, commencing October 9, 2021.
Status of Notes and Guarantee	The Notes are senior obligations of the Issuer that are guaranteed by the Company. The Notes and the Guarantee will rank at least equally in right of payment with all existing and future senior debt of the Issuer and the Company, respectively. The Notes and the Guarantee will respectively be effectively subordinated to all of the Issuer's and the Company's existing and future debt that is secured by assets that do not secure the Notes or Guarantee to the extent of the assets securing the debt. The Guarantee will be structurally subordinated to all liabilities (including trade payables) of all of the Company's subsidiaries.
Optional Redemption	Prior to the maturity date, the Issuer may redeem all or part of the Notes by paying the redemption price as described under "*Description of the Notes – Optional Redemption.*"
Additional Amounts	In the event that certain British Virgin Islands, Hong Kong or PRC taxes are payable in respect of payments pursuant to the Notes or the Guarantee, the Issuer or the Company, as the case may be, will, subject to certain exceptions, pay such Additional Amounts under the Notes as will result in receipt by the holders of Notes of such amounts as would have been received by them had no such deduction or withholding been required. See "*Description of the Notes – Taxation.*"

Change of Control........................	If the Company experiences a change of control and a rating decline (each as defined in the indenture) occurs, the Issuer will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued interest to the date of such repurchase. See "*Description of the Notes – Repurchase Upon a Change of Control Triggering Event.*"
Certain Covenants	The Issuer will issue the Notes under the indenture. The indenture will partially limit, among other things, the Issuer's and the Company's ability to: • create certain liens; and • merge or consolidate with other entities. Each of these covenants is subject to a number of significant exceptions and qualifications. The indenture will not contain any other covenants or other provisions designed to afford holders of the Notes protection in the event of a highly leveraged transaction involving us that could adversely affect the holders.
Absence of a Public Market for the Notes	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing...	Application will be made to the SEHK for the listing of, and permission to deal in the Notes by way of debt issues to Professional Investors only and such permission is expected to become effective one business day after the Issue Date.
Form, Denomination and Registration	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 and will initially be represented by one or more global notes registered in the name of a common depositary for Euroclear or Clearstream.
Ratings	The Notes are expected to be rated "BBB-" by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
Security Codes of the Notes..........	ISIN XS2208935374 Common Code 220893537
Trustee and Paying Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent.........	The Bank of New York Mellon SA/NV, Luxembourg Branch
Use of Proceeds	We intend to use the proceeds of the offering of the Notes to refinance existing medium- to long-term indebtedness due within one year.

Governing Law of the Indenture and the Notes	The State of New York
Risk Factors.................................	Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.
U.S. Selling Restrictions...............	Regulation S, Category 1

You should carefully consider the risks and uncertainties described below and other information contained in this offering circular before making an investment decision in relation to the Notes. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, prospects, financial condition and results of operations.

If any of the possible events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected and the market price of the Notes may decline. 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

Our operations could be materially and adversely affected by government policies and regulatory measures designed to slow the growth of the PRC real estate market

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

In 2007, property sales volumes and average selling prices in China increased to unprecedented levels, culminating in a property market downturn beginning in late 2007 due to the PRC government's intervention to stabilize market prices and reduce the level of property speculation. Property sales in China recovered in 2009 and experienced significant growth thereafter until early 2010.

On April 17, 2010, the State Council of the PRC (the "**State Council**") issued the *Notice of the State Council on Resolutely Curbing the Excessive Rise in Housing Prices in Some Cities* (國務院關於堅決遏制部分城市房價過快上漲的通知). This notice stipulated that where a purchaser finances the purchase of property with a mortgage loan, the applicable down payment for a first purchase of property larger than 90 sq.m. may not be less than 30% of the purchase price; the down payment for a second such property may not be less than 50% of the purchase price; and the loan interest rate may not be less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate requirements significantly increase for the third or additional properties purchased with mortgage loans.

On September 29, 2010, the China Bank and Insurance Regulatory Commission (the "**CBIRC**", previously the China Bank Regulatory Commission) and the PBOC collectively issued the *Notice on the Issues Concerning the Improvement of Differentiated Housing Credit Policies* (關於完善差別化住房信貸政策有關問題的通知). This notice stipulated that each commercial bank shall suspend extending mortgage loans for the purchase of a third house or more houses and to non-local residents who cannot provide a local tax payment certification or social insurance payment certification for more than one year. Where a purchaser finances the purchase of property with a mortgage loan, the applicable down payment for a first purchase of commodity residential property shall not be less than 30% of the purchase price.

On January 26, 2011, the General Office of State Council issued the *Notice of General Office of State Council on Relevant Issues in Relation to Further Improving Real Estate Market Regulation* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知). This notice increased the down payment to 60% of the purchase price for second-time home buyers, with a minimum loan rate not lower than 1.1 times of the benchmark interest rate.

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

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

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

On September 21, 2010, the Ministry of Natural Resources (the "**MNR**", previously the Ministry of Land and Resources) and the Ministry of Housing and Urban-Rural Development of the PRC jointly promulgated the *Circular on Further Strengthening the Macro-control of Use of Lands for Real Estate Development and Construction Administration* (關於進一步加強房地產用地和建設管理調控的通知). The circular regulates more stringently the acquisition and development of land for real estate development.

The circular provides that any real estate developer and its controlling shareholders are prohibited from acquiring new land if the developer has previously obtained land through fraudulent means or illegally transferred previously acquired land or left acquired land idle for one year or longer due failure to comply with the land grant contract. The circular also requires developers to commence the development of acquired land within one year and complete development of the same within three years from the date of delivery of the land from the authority. Developers must also strictly follow the terms and conditions set forth in land grant contracts and may potentially face liability in the event of any breach.

Since late 2010, certain local governments, including those in Shenzhen, Foshan, Guangzhou, Hangzhou, Shanghai, Shenyang and Wuhan have also implemented local regulatory and austerity measures affecting our industry. If local regulatory and austerity measures increase or expand in scope or to more localities where we have property projects, our business, financial condition and operating results may be materially and adversely affected.

According to the Notice of General Office of State Council on Relevant Issues in Relation to Further *Improving Real Estate Market Regulation* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) issued by the General Office of State Council on January 26, 2011, local residents can purchase no more than two houses and the purchasers must provide a local tax payment certification or a social insurance payment certification for a specified time (five years in Beijing). If the availability or attractiveness of mortgage financing is further reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

Meanwhile, Chongqing and Shanghai have introduced a real estate tax, which could have a profound impact on the real estate market. Also in 2011, the State Council proposed to develop 10 million units of affordable housing, and has required that 70% of available land be reserved for affordable housing.

On May 11, 2011, the MNR promulgated the Public Announcement of MNR (國土資源部公告), which strengthens the supervision of the development of lands and land supply and the reserving and idling of lands. On May 11, 2011, the MNR promulgated the Opinions on the Insisting on and Perfecting the Regime of Grant of Land Use Rights via Tender, Auction and Listing-for-sale (國土資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見). The opinions set out more factors to be considered by the authorities in the selection of the appropriate land developers and requires more mandatory terms and conditions be incorporated in the land grant contract.

On February 17, 2012, the Ministry of Housing and Urban-Rural Development of the PRC promulgated the Administrative Measures for Floor Area Ratio of Construction Land (建設用地容積率管理辦法), which provides that a land grant contract shall be invalid if the plot ratio and other planning conditions are not satisfied. Where the construction of a project is unable to be commenced as scheduled because of the application for plot ratio adjustment due to reasons attributable to the real estate developers or relevant individuals, the relevant regulations on the disposal of idle land will apply.

On February 15, 2012, the MNR promulgated the Notice of the Ministry of Natural Resources of the PRC on Key Work of the Regulation and Control of Real Estate Land Use in 2012 (國土資源部關於做好2012年房地產用地管理和調控重點工作的通知). The notice requires increasing the supply of ordinary commercial residential property land on a reasonable scale and strictly controlling the supply of high-grade commercial residential property land.

On July 19, 2012, the MNR and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the Urgent Notice to Further Tighten Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control over the Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) to strengthen the enforcement of macroeconomic policies in the real property market. According to the notice:

- Local governments are required to secure residential land supplies, especially land to be used for the development of government-subsidized residential units. Local governments are also required to strictly implement macroeconomic control policies in the real property market;

- Residential construction projects are required to commence within one year from the land title delivery date that is stipulated in the land allocation decision or land grant contract, and should be completed within three years from the date of commencement; and

- The land grant contract shall be executed within 10 business days after completing the land grant, and a down payment of 50% of the land grant fee shall be paid within one month after the contract is signed, with the remaining balance payable in installments within one year.

On February 26, 2013, the General Office of the State Council promulgated the Notice on a Continuous Work for the Control over the Real Estate Market (關於繼續做好房地產市場調控工作的通知) (the "**Notice**"), instituting stricter policies for the real property market including (i) stricter purchase restrictions for urban areas, (ii) stricter installment ratios, lending rates and credit verification requirements for real property purchases and (iii) broader application of the 20% income tax applied to gains from sales of self-owned residential properties.

Some local governments have released new rules to implement the Notice. For example, the local government in Beijing has banned single adult residents who have purchased a single residential property in Beijing from buying a second property, while the local government in Shanghai has banned the granting of credit to people for the purposes of buying their third residential property (a similar measure has already been adopted in Beijing).

The local governments of Beijing, Shanghai, Tianjin, Shenzhen and Chongqing have adopted stringent stipulations regarding the application of the 20% income tax applied to homeowners selling their residential properties as required by the central government. Furthermore, in 2013, some cities, such as Guangzhou, Chongqing, Tianjin and Qingdao, have planned that the growth of new commodity housing prices should be less than the actual growth of the average per capita disposable income of urban residents.

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

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

We are significantly affected by these government policies and regulatory measures. Even though we have recorded on average selling price of RMB25,500 in 2018 that we believe is high among our peers, any of the following could cause a decline in property sales volumes and average selling prices:

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

Our property development and other operations are subject to extensive governmental regulation and, in particular, we are susceptible to changes in policies related to property markets in China

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

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

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

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

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

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

The hotel industry depends on business and leisure travel, demand for and supply of hotel rooms and other factors outside our control

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

- adverse economic conditions;
- dependence on business, commercial and leisure travelers and tourism;
- dependence on meeting and conference business;
- seasonality in travel patterns;
- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns (including the Coronavirus Disease 2019 (“**COVID-19**”) pandemic), rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travelers;
- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where our hotels operate and where our customers live;

- increased competition and periodic oversupply of guest accommodation, which may adversely affect occupancy rates and room rates;

- increases in operating costs due to inflation, labor costs (including the impact of unionization), workers' compensation and health-care related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their related consequences and other factors that may not be offset by increased room rates;

- changes in interest rates and in the availability, cost and terms of debt financing; and

- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

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

Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations

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

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

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

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

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

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

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

Our business and financial conditions may be adversely affected by disagreements or the termination of strategic relationships with local and overseas partners

We frequently enter into strategic relationships and develop properties in cooperation with local partners in the PRC. We also frequently enter into partnerships with strategic international partners such as Marriott, the Ritz-Carlton Group and the Starwood Group in the hotel operations business. As the flagship real estate development company of Sinochem Group, we have been able to capitalize on Sinochem Group's network and resources to establish cooperative relationships with local partners, such as Shanghai Real Estate, Qingdao Urban Investment Group, Changsha Meixi Lake Industrial Corporation Ltd. and the Management Committee of Dahexi Pilot Zone in Changsha.

Any future disagreement with local partners (in connection with the scope or performance of their respective obligations under the projects, for example) may affect our ability to develop or manage a property. Our local and overseas partners may be unable or unwilling to perform their obligations under the cooperative arrangements, and disputes with our local or overseas partners or the early termination of our cooperative arrangements with them could materially and adversely affect our business, prospects, financial condition and results of operations.

We may require significant capital resources to fund land acquisitions and property developments and our ability to raise capital is restricted by PRC regulations

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

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

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

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

In August 2020, the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部) (the "**MOHURD**") and PBOC held a joint meeting to communicate with certain real estate enterprises and other relevant governmental authorities. During the meeting, the MOHURD, PBOC and other relevant governmental authorities jointly announced that they collectively formulated rules for monitoring funds and administration of financing activities of real estate enterprises, which would aim to establish a more market-oriented, rule-based and transparent administration over the financing activities of real estate enterprises. As of the date of this offering circular, such rules have yet to be released.

In addition, the PRC government introduced measures, such as changes to commercial bank reserve requirements and lending sector restrictions, that may adversely affect our access to capital and financing. On December 31, 2020, PBOC and CBRIC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Under the notice, PBOC and CBRIC will have the authority to take measures such as, among other things, imposing additional capital requirements on and reallocating the weight adjustments relating to the risk of real estate assets for financial institutions that fail to rectify the proportion requirements within a certain period. We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital. 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 fund our land acquisitions or property developments and therefore may require us to maintain a relatively higher level of internally sourced funds.

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

We may not be able to renew our current credit facilities or obtain sufficient funding to develop future projects or meet other capital needs when required at a commercially reasonable cost or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to begin new projects or to continue the development of existing projects and increase our financing costs. For the year ended December 31, 2018, 2019 and 2020, our average financing cost (being the effective rate of interest paid by the Company in respect of its indebtedness) was 5.1%, 4.9% and 4.4% (average cost of RMB-denominated on-shore loans being 5.1% and average cost of USD-denominated off-shore loans being 2.2%), respectively.

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

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

We depend on the growth of the urban middle and upper-middle classes in China. Our residential developments target residents with high levels of disposable income with demand for modern and high-quality living conditions and the products and services we provide. A significant downturn in the PRC economy could adversely affect such demand as well as demand by corporations and other professional firms for our office properties.

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

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

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

Our activities are subject to risks associated with the property development industry

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

Before a property development generates revenue, we must make a variety of material expenditures, including acquiring development rights and constructing property development infrastructure. As a result, our current and future property development activities are exposed to the following risks:

- construction and other development costs for a development project which exceed original expectations or make completion of the project uneconomical;

- changes in property development opportunities resulting in lost deposits or inability to recover expenses;

- inability to complete construction of a property on schedule, or on budget, due to a variety of factors including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in PRC government priorities and policies, changes in market conditions, delays in the relocation process, delays in obtaining the requisite licenses, permits and approvals from government authorities and other problems and circumstances, resulting in delays or increased expenses and construction costs;

- delays or lower prices in the sale or leasing of developed properties, including as a result of the supply and demand of comparable properties, and the cyclical nature of the real estate industry in China; and

- fluctuations in occupancy rates, rent levels and sales prices for completed properties.

We face intense competition

The property development industry in China is highly competitive, and we face competition from major domestic developers and, to a lesser extent, foreign developers, primarily from other countries or regions in Asia, including several leading developers from Hong Kong. Competition among property developers may increase the costs for land acquisitions and raw materials and administrative costs for hiring or retaining qualified personnel, result in shortages of skilled contractors and an oversupply of properties, decrease property prices and rent levels, and slow the rate at which new property developments will be approved and/or reviewed by government authorities.

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

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

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

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

- foreign debt registrations shall not be processed for real estate enterprises with foreign investment that have obtained approval certificates on or after June 1, 2007 and have registered with MOFCOM,

- real estate enterprises with foreign investment which were incorporated before June 1, 2007 shall still have the right to incur foreign debts within the statutory limit. This limit equals the lesser of (i) the outstanding balance of total investment and registered capital prior to the increase or (ii) the outstanding balance of total investment and registered capital after the increase, and

- real estate enterprises with foreign investment which have not obtained a land use right certificate or for which the project capital has not reached 35% of the project's total investment may not incur foreign debt. SAFE will not process the foreign debt registration and approval for foreign debt settlement of such real estate enterprises.

On May 11, 2013, SAFE issued the Notice of State Administration of Foreign Exchange on Promulgation of the Provisions on Foreign Exchange Control on Direct Investments in China by Foreign Investors and Supporting 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) and further amended on October 10, 2018 and December 30, 2019, which requires that real estate enterprises need to provide registered files to MOFCOM for making foreign exchange registrations. Pursuant to the Circular Regarding Further Improvement of the Registration of Foreign-Invested Real Estate Industry (商務部、外匯局《關於進一步改進外商投資房地產備案工作的通知》) jointly issued by MOFCOM and SAFE which was effective from November 6, 2015 to January 1, 2020, registered files are no longer required to be provided to MOFCOM as a condition for making a foreign exchange registration. However, registration with MOFCOM of real estate enterprises with foreign investment must still be completed.

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

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

In addition, although the establishment of foreign invested companies and increasing registered capital in existing foreign invested companies do not require approvals from MOFCOM according to the *Provisional Measures on the Registration of the Establishment and Amendment of Foreign Invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》) issued by the MOFCOM on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, due registration with MOFCOM or its local counterparty is still required, which still may entail delays.

On May 11, 2018, the NDRC and the MOF promulgated the Circular of the National Development and Reform Commission and the Ministry of Finance on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risk 《國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》, which may further restrict the Group's financing capacity through foreign debt. In addition, according to the interpretation published on the website of the NDRC on June 27, 2018, the proceeds raised from an offshore debt offering by a real estate company shall be mainly used to repay the issuer's existing debt. The real estate company is restricted from using such proceeds to finance its domestic or overseas real estate projects or to supplement its working capital.

On July 12, 2019, the NDRC issued the Notice Regarding the Application Requirements in Relation to the Filing and Registration of Foreign Debt Issuance by Real Estate Enterprises (國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知) (the "**778 Notice**"), which stipulates that real estate enterprises issuing foreign debt may only use the proceeds therefrom to refinance medium-or long-term foreign debt which is scheduled to mature within the next year. The 778 Notice also requires the real estate enterprises to specify certain details of the foreign debt to be refinanced in the application materials for the registration of foreign debt, including the size, the remaining tenor and the NDRC foreign debt registration status of such existing debt. Real estate enterprises issuing foreign debt must also submit a Commitment Letter on the Truth of the Foreign Debt Issuance and provide further disclosure on the use of proceeds in offering documents for such issuances, such as the prospectus.

Furthermore, the PRC government may introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China 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.

The terms on which residential mortgages are available in China may affect our sales

A vast majority of our property purchasers rely on mortgages to fund their purchases. Fluctuations in interest rates may significantly increase the cost of mortgage financing of properties. The PBOC increased the benchmark one-year lending rate two times in 2010 and three times in 2011. In 2012, the PBOC decreased the one-year lending rate twice. In 2014, the PBOC decreased the benchmark one-year lending rate once. The PBOC decreased the benchmark one-year lending rate five times in 2015. On August 16, 2019, pursuant to the Announcement [2019] No.15 of the People's Bank of China on the Reform and Improvement of the Formation Mechanism of Loan Prime Rate (LPR), the PBOC decided to reform and improve the formation mechanism of loan prime rate ("**LPR**") and **provided that** the banks shall mainly refer to the LPR for interest rates pricing in newly issued loans and adopt the LPR as the pricing benchmark in floating rate loan contracts. Fluctuations in interest rates will increase the cost of mortgage financing for our potential customers, and as a result, we may experience lower demand for our properties. In addition, the PRC government and commercial banks may increase down payment requirements, impose other conditions or otherwise change the regulatory framework or lending policies in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

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

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

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

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

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

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

In line with industry practice, banks typically require us to guarantee the obligations of purchasers of our property to repay the mortgage loans issued by such bank on the property. For more information, see "*Risk Factors – Risks Relating to Our Business – We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments*" and "*Business – Property Development – Payment for and financing of residential units.*"

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

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

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

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

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 mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. For more information, see "*Business – Property Development – Payment for and financing of residential units.*" If a default occurs and our relevant guarantee is called, our business, prospects, financial condition and results of operations may be materially and adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

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

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

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

The PRC central and local governments may regulate the means by which property developers, including us, obtain land sites for property developments. See "*– Our property development and other operations are subject to extensive governmental regulation and, in particular, we are susceptible to changes in policies related to the property markets in China.*" In addition, there may not be land available in attractive locations in our target cities for new development or re-development.

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

We are subject to legal and business risks if our subsidiaries fail to obtain or renew our qualification certificates

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

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

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

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

We may not be able to obtain land use right certificates for certain land parcels held for future development and may be subject to stricter payment terms for land use rights with respect to land we acquire as a result of any additional restrictive regulations promulgated by the PRC

As of the date of this offering circular, we have entered into land grant contracts for certain land parcels but have not yet obtained the land use right certificates for such land parcels. We may not be able to obtain land use right certificates with respect to these land parcels in a timely manner, or at all. If we fail to do so, we may not be able to acquire new replacement land on terms acceptable to us, or at all, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

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

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

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

Our results of operations and operating cash flow may vary significantly from period to period

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

The sale of properties we develop is subject to general market and economic conditions in the areas where we conduct business and the level of acceptance of our properties by prospective customers. We recognize revenue upon the completion and delivery of the properties to purchasers, which may typically take up to two years after the commencement of pre-sales. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period.

In addition, our trade receivables are RMB446.8 million as at December 31, 2020 and any inability to collect such trade receivables on a timely basis will adversely impact our cash flow position. Furthermore, our business depends on obtaining adequate supplies of raw materials and is subject to fluctuations in the market prices of raw materials.

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

Our financial condition, profit margins and cash flows may be affected by the mix of development projects that we undertake

Our financial condition, profit margins and cash flows may be affected by the mix of development projects that we undertake. Since 2011, we have been engaged in primary land development as well as the development of residential properties. As of December 31, 2020, we were engaged in over 270 city operations and property development projects in different stages of development at sites in China, including seven primary land development projects: Changsha Meixi Lake International New City Project, Nanjing Qinglong Mountain International Ecological New City Project, Ningbo Life Science City Project, Shanghai Window Smart Science City Project, Zhengzhou Erqi District Mazhai New City Project, Wenzhou Gu'ao Tou and Jinhua Jinmao Future Science City. Our primary land development projects generally require greater capital expenditures and result in higher inventories than our residential property development projects.

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

Our profitability may be affected by the periodic revaluation of our investment properties required by HKFRS

We hold certain investment properties for lease to commercial tenants. We must reassess the fair value of our investment properties on each reporting date for which we issue consolidated financial statements. Our valuations are based on market prices or alternative valuation methods, such as discounted cash flow analysis based on estimated future cash flows. In accordance with HKFRS, we must recognize changes to the fair value of our properties as a gain or loss (as applicable) in our consolidated statements of comprehensive income.

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

The fair value of our investment properties may decrease in the future. Any decrease in the fair value of our investment properties will adversely affect our profits.

The illiquid nature of, and the lack of alternative uses for, investment properties could limit our ability to respond to adverse changes in the performance of our properties

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

Unforeseen changes relating to the properties, market conditions or otherwise could significantly affect the value of investment properties. We cannot assure you that we will be able to sell any or all of our investment properties at prices equal to their valuations on our balance sheet or otherwise on terms satisfactory to us, or at all.

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

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

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

We may not be able to generate adequate returns on our properties held for long-term investment purposes

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

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

Our business, prospects, financial condition and results of operations may be materially and adversely affected by increases in the cost of labor and construction materials

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

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

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

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

We rely on independent contractors

We engage independent contractors to provide various services, including construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We generally select contractors through public tenders.

We invite selected contractors to tender bids according to their reputation for quality, track record and references, and supervise the construction progress once the contract is awarded. However, we cannot assure you that the services rendered by any of these contractors will always be satisfactory or match our requirements for quality.

Although we have not experienced any material problems of delay or incompletion, we cannot assure you that our properties under development or properties held for future development will be completed on time, or at all. If our contractors cannot deliver satisfactory services due to financial or other difficulties, we might incur additional costs and suffer reputational harm, which may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not be able to complete our property development projects on time or at all

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

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

In particular, the on-going COVID-19 outbreak in China has resulted in travel restrictions and delay or suspension of some business activities in China. Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may result in increased costs, harm to our reputation, loss of or delay in recognizing revenues and lower returns. In addition, if we fail to complete a property that we have pre-sold by the agreed delivery time, we will typically be liable to the purchasers for their losses and such purchasers may seek compensation for late delivery pursuant to the pre-sale contracts or PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and make a claim for damages.

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

In addition, regulatory changes, competition, inability to procure governmental approvals or required changes in project development practices could occur at any stage of the planning and development process. We may not be able to complete projects that we are developing or plan to develop and may find ourselves liable to purchasers of the pre-sold units for losses suffered by them.

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

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property developers in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third party contractors with respect to 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, we could incur significant expenses to resolve such claims or face delays in correcting the related defects. This could in turn harm our reputation and materially and adversely affect our business, prospects, financial condition and results of operations.

We are exposed to risks relating to pre-sale of properties, and changes in laws and regulations with respect to pre-sale of properties may materially and adversely affect our business, prospects, financial condition and results of operations

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

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

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

Failure to obtain alternative funding at a low cost, or at all, may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, under current PRC laws and regulations and pursuant to pre-sale contracts entered into with purchasers of our properties, we are liable for potential breaches of the terms of the pre-sale contracts. See "*Risk Factors – We may not be able to complete our property development projects on time or at all.*"

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

We are party to master agreements with PRC government entities which may not be implemented as agreed

We may enter into master agreements with PRC government entities which are subject to certain rules. For example, on January 26, 2011, our wholly-owned subsidiary, Jin Mao Group, entered into a master agreement with the Management Committee of Dahexi Pilot Zone in Changsha, Changsha Meixi Lake Industrial Corporation Ltd and Shanghai Jin Mao Economic Development Co., Ltd with respect to the development of Meixi Lake International Service and Technology Innovation City, which covers an aggregate area of approximately 11,452 mu (approximately 7.6 million sq.m.).

In February 2015, we successfully obtained the primary development rights to the Nanjing Jiangning Shangfang City Center Shanty Town Renewal Project. We would be in charge of land requisition, compensation and resettlement, construction and other related subsequent developments within the area, which has a site area of approximately 3.92 square kilometers with planned land for construction of approximately 3.23 square kilometers and a planned GFA of approximately 3.80 million sq.m.

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

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

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

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

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

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

We are subject to a variety of laws and regulations concerning the protection of health and the environment. Environmental laws could prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with health and environmental laws and conditions could result in delays, may cause us to incur substantial compliance costs and other costs and can severely restrict project development activities in environmentally sensitive regions or areas.

As required by PRC laws, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and environmental impact assessment documents were submitted to the relevant government authorities for approval before commencement of construction. Local authorities may request a developer to submit environmental impact documents, issue orders to suspend construction and impose a penalty on a project where environmental impact assessment documents have not been approved before commencement of construction. There may be material environmental liabilities of which we are unaware, and which may materially and adversely affect our business.

Our insurance coverage may not be adequate to cover all risks related to our operations

Under PRC laws, construction companies bear primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear supplemental liability if the construction company is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are caused by the fault of the owner.

If we suffer any losses, damages or liabilities in our operations, we may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, we may sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our financial condition and results of operations.

We may be involved in legal and other proceedings arising out of our operations or otherwise and may face significant liabilities as a result

We may be involved in disputes with various parties involved in the development and rental and sale of our properties, including contractors, suppliers, construction workers, purchasers, tenants and local partners. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention, regardless of the outcome. 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 purchasers.

In addition, in the ordinary course of our business, legal actions may also arise from disputes over whether our projects are completed or delivered as agreed. Such legal actions, if determined adversely against the Company or any of our subsidiaries, may materially and adversely affect our financial condition and results of operations. In addition, we may have disagreements with regulatory bodies, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments.

Any failure to protect our brand, trademarks and other intellectual property rights could negatively impact our business

We believe our brand, trademarks and other intellectual property are integral to our success. Our brand has gained significant recognition in the PRC and we have received several industry awards. We believe the success of our business depends in part on our continued ability to use and promote our brand and trademarks. While we rely on intellectual property laws in the PRC to protect our intellectual property, any unauthorized use of such intellectual property could adversely affect our business and reputation.

Historically, China has not protected intellectual property rights to the same extent as certain other countries do, and infringement of intellectual property rights continues to pose a serious risk to doing business in China. Moreover, monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. Any litigation or dispute in relation to our brand, trade names or trademarks could result in substantial costs and the diversion of resources.

Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving. If we are unable to adequately protect our brand, trademarks and other intellectual property, we may lose these rights and our business, prospects, financial condition and results of operations may suffer materially.

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

Facts and statistics in this offering circular relating to China's economy and the industries in which we operate are derived from publicly available 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 their respective advisers.

We make no representation as to the accuracy of these facts and statistics, which may not be consistent with other information compiled within or outside China. Due to 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.

Risks Relating to the PRC

The political, economic and social situation in the PRC may materially and adversely affect our business, prospects, financial condition and results of operations

Substantially all of our operations are conducted in China. Accordingly, our business, prospects, financial condition and results of operations are, to a significant degree, subject to political, economic and social developments in China. The PRC economy differs from the economies of most developed countries in many respects, including differences with a respect to structure, government involvement, level of development, economic growth rate, control of foreign exchange, allocation of resources and balance of payments.

Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, the PRC government still owns a substantial portion of productive assets in China. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies.

The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may also negatively impact us. For example, our business, prospects, financial condition and results of operations may be materially and adversely affected by government control over capital investments, changes in tax regulations, changes in interest rates and statutory reserve rates for banks and government control over bank lending activities.

Although we believe the economic reform measures implemented by the PRC government will positively affect the PRC's long-term development, we cannot predict whether changes in the economic, political and social conditions of the PRC will materially and adversely affect our business, prospects, financial condition and results of operations. Even if new policies may benefit property developers in the long term, we cannot assure you that we will be able to successfully adjust to such policies.

China has been one of the world's fastest growing economies as measured by GDP in recent years. However, as a result of the negative impact of the global economic crisis, China's real GDP growth declined to 9.6% in 2008 and further to 9.2% in 2009, compared to 14.2% in 2007. The PRC government implemented various measures to stimulate economic growth and China's real GDP growth rebounded to 10.3% in 2010 before slowing again to 9.2% in 2011. China's real GDP growth further decreased to 7.8% in 2012, 7.7% in 2013, 7.4% in 2014, 6.9% in 2015 and 6.7% in 2016. In 2017 China's real GDP growth increased to 6.9%, before decreasing again to 6.6% in 2018 and 6.1% in 2019. If the Chinese economy experiences a slowdown in growth or a downturn, property demand may decline and our business, prospects, financial condition and results of operations may be materially and adversely affected. Most recently in 2020, due to the outbreak of COVID-19 and the resulting disruption in business activities and travel restrictions, China's real GDP shrank for the first time since 1992 by 6.8% in the first quarter of 2020, before returning to an increase by 3.2% in the second quarter of 2020 and 4.9% in the third quarter of 2020. See "*– The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business*."

In addition, demand for our properties may be affected by a variety of factors, some of which may be beyond our control, including:

- instability or changes in social conditions of 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;
- the imposition of additional restrictions on currency conversion and remittances abroad;
- the adoption and expansion of trade restrictions or the occurrence of a trade war;
- changes in interest rates; and
- deterioration of the global credit market and economic conditions.

In addition, the occurrence of or escalation in China – U.S. trade tensions and the uncertainty of a resolution of trade conflicts may further dampen the economic activities in China; a breakdown in trade relations between the U.S. and China could also delay the global economic recovery in recent years, threatening the ongoing economic expansion and the increasing cross-border transactions trend. Most recently in 2020, following the outbreak of COVID-19, the relations between the U.S. and China has brought new complexities to the bilateral relationship and there might be uncertainties in the China – U.S. trade relations.

Against the backdrop of China-U.S. trade tensions, the U.S. Department of Defense released in 2020 and January 2021 lists of Chinese companies (including Sinochem Group, our ultimate parent company) claiming that the companies are Communist Chinese military companies for purposes of Section 1237 of the National Defense Authorization Act for Fiscal Year 1999. These lists are based on the U.S. government's intelligence, which apparently enabled the U.S. Department of Defense to determine that the companies therein are owned or controlled by the Chinese military. In November, 2020, the U.S. President signed an executive order, which prohibits any purchase for value or sale by any U.S. person of publicly traded securities (or securities that are derivatives thereof or designed to provide investment exposure to such securities) of any company identified as a Communist Chinese military company. As of the date of this offering circular, we are not listed as a Communist Chinese military company. However, there remains uncertainty as to whether the U.S. government will take further actions in relation to China-based companies, including us, and the impact of such actions. To the extent we and/or the Issuer are listed as Communist Chinese military companies in the future or such executive orders or related U.S. government directives otherwise would apply to us and/or the Issuer, the market liquidity of the Notes may be materially and adversely affected and Holders who are U.S. persons may be required to divest their holdings in the Notes and may have to do so at a loss.

Any significant changes in relation to any of these factors may materially and adversely affect our business, prospects, financial condition and results of operations.

Uncertainty with respect to the PRC legal system could affect our business, and it may be difficult to effect service of process upon us or our directors or officers that reside in the PRC, or to enforce against us or them in the PRC any judgments obtained from non-PRC courts

As substantially all of our businesses are conducted and substantially all of our assets are located in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference.

Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial laws. However, because 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, the interpretation of PRC laws and regulations involves uncertainty.

Depending on the way an application or case is presented to a government agent and on the government agent itself, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the violation occurs. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Substantially all of our directors and officers reside within the PRC. In addition, substantially all of our assets and substantially all of the assets of our directors and executive officers are located within the PRC. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, investors may not be able to effect service of process upon us or persons in the PRC, or to enforce judgments from non-PRC courts against us or such persons in the PRC. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be extremely difficult.

Under the Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences for us and our non-PRC shareholders

Under the Enterprise Income Tax Law (中華人民共和國企業所得稅法) ("**EIT Law**"), an enterprise established outside of China with a "de facto management body" within China is deemed a "resident enterprise,"meaning that it can be treated in a manner similar to a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income."The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

The Notice on Issues Relevant to Foreign-registered Chinese-invested Holding Enterprises Determined as Resident Enterprises in Accordance with Actual Management Organization Standard (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) issued by the State Administration of Taxation on April 22, 2009 and further amended on December 29, 2017 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with a "de facto management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China.

In addition, pursuant to the Measures for the Administration of Income Tax for Chinese-controlled Resident Enterprises Registered Overseas (the "**Measures**") (境外註冊中資控股居民企業所得稅管理辦法(試行)) issued by the State Administration of Taxation on July 29, 2011 and further amended on April 17, 2015, June 28, 2016 and June 15, 2018, the State Administration of Taxation may decide whether a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" as a result of an application by such foreign enterprise or an investigation conducted by the relevant tax authorities.

Currently we are not treated as a PRC resident enterprise by the relevant tax authorities and have not applied for such a treatment. Since substantially all of our management is currently based in China, we may be deemed a "resident enterprise" under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on our global income in the future. If we are not considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on the Notes to our overseas creditors will not be subject to PRC withholding tax.

If we are treated as a PRC resident enterprise for the purposes of the EIT Law, the interest on the Notes may be subject to PRC withholding tax at a rate of 10% if paid to a non-PRC resident enterprise holder of the Notes and 20% if paid to a non-PRC resident individual holder of the Notes. In addition, any gain a holder may realize from the transfer of the Notes may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at a rate of up to 10% in the case of a non-PRC resident enterprise holder and 20% in the case of a non-PRC resident individual holder (in each case unless an applicable treaty provides otherwise). Such taxes would materially and adversely affect the value of an investment in the Notes.

Some of our subsidiaries have received preferential tax treatment that has been phased out

Under the *PRC Income Tax Law for Foreign-Invested Enterprises and Foreign Enterprises* (中華人民共和國外商投資企業和外國企業所得稅法) (the "**FIE Income Tax Law**") which was effective from July 1, 1991 to January 1, 2008, foreign-invested enterprises engaged in manufacturing businesses were entitled to certain tax exemptions and other preferential tax treatment.

The EIT Law replaces the FIE Income Tax Law and applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. The EIT Law also provides a transition period for enterprises that were entitled to certain preferential tax treatment prior to the promulgation of the EIT Law.

Most of our subsidiaries incorporated in China are incorporated as foreign-invested enterprises. In the past, some of them have enjoyed certain preferential tax treatments. The discontinuation of any preferential tax treatment may cause our effective tax rate to increase, which may increase our income tax expenses and in turn decrease our net income.

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

The PRC government imposes 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 controls and imposing restrictions on purchases of properties in China by foreign persons. For example, the *Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Property Sector* (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 stipulates, among other things, that:

- foreign investment in the property sector in the PRC relating to luxury 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; and

- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities.

These 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 materially and adversely affect our business, prospects, financial condition and results of operations.

The PRC government may impose a penalty on us or require the forfeiture of land for any of our projects that were not or have not been developed in compliance with the terms of the land grant contracts

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. In 2008, the State Council issued a notice which requires, among others, that land use rights be strictly revoked for land parcels left idle for two years or more and that an idle land fee be imposed at 20% of the land transfer or grant price for land parcels left idle for one to two years.

Even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment the project, and development of the land is suspended continuously for more than one year without government approval, the land may still be treated as idle land. All property developers who have defaulted on a land grant fee payment, leave land idle and unused, or are engaged in land speculation, or have otherwise defaulted on a land grant contract are prohibited from acquiring land for a certain period.

Circumstances leading to the forfeiture of land or imposition of a penalty may arise in the future. If we and our subsidiaries are required to forfeit land, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover the development costs and other costs incurred up to the date of forfeiture. Any requirement that we pay idle land fees or other related penalties may materially and adversely affect our business, prospects, financial condition and results of operations.

Final GFA of any of our completed property development projects that exceeds the permitted GFA is subject to governmental approvals and may result in additional payments on our part

Local government authorities inspect a property development project after its completion and issue a "Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report" (房屋建築工程和市政基礎設施工程竣工驗收備案證明) ("**Completion Certificate**") if the development complies with relevant laws and regulations. If the total constructed GFA of a property development project exceeds the GFA originally authorized in the relevant land use right grant contracts or construction permit, the property developer may be required to pay additional amounts before a Completion Certificate is issued.

Local government authorities may find that the total constructed GFA of our existing projects under development or any future property developments exceeds the relevant authorized GFA upon completion. If we fail to obtain Completion Certificates due to such non-compliance, we will not be allowed to deliver the relevant properties or recognize revenue from the relevant pre-sold properties and may also be subject to liabilities under relevant pre-sale contracts.

The amount of resettlement compensation payable to those subject to resettlement is regulated and may be subject to substantial increases

If the land parcels we acquire in the future have existing buildings or structures or are occupied by third parties, we may be responsible for paying resettlement costs prior to developing the land. In accordance with the *Regulation on the Expropriation of Buildings on State-owned Land and Compensation* (國有土地上房屋徵收與補償條例) that became effective on January 21, 2011, the relevant government department overseeing the expropriation of property in the PRC must enter into a written agreement with individuals or entities that reside in locations subject to expropriation. This agreement should provide compensation for the expropriation of such property, the relocation and resettlement of such individuals or entities and the loss or suspension of production or business, as applicable.

The amount of compensation is based on an analysis subject to the aforesaid factors and may not be calculated consistently. The land acquisition costs may be subject to substantial increases which could materially and adversely affect our business, prospects, financial condition and results of operations.

In addition, if the local government fails to reach an agreement over compensation with the owners or residents, any party may apply to the relevant governmental authorities for a ruling on the amount of compensation, which may delay the timetable of our projects or result in higher compensation costs than anticipated. Such delays will lead to an increase in the cost and a delay in the expected cash flows resulting from pre-sales of the projects, which may in turn materially and adversely affect our business, prospects, financial condition and results of operations.

There is a lack of reliable and updated information on property market conditions in the PRC

We are subject to property market conditions in the PRC generally and, in particular, in Beijing, Shanghai and the other cities in which we operate. Currently, reliable and up-to-date information on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment is not generally available in the PRC.

Consequently, our investment and business decisions may not always have been, and may not in the future be, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly U.S. dollars

On August 11, 2015, to improve the central parity quotations of the Renminbi against the U.S. dollar, the PBOC authorized market-makers to provide central parity quotations to the China Foreign Exchange Trading Center daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on August 11, 2015, the Renminbi depreciated significantly against the U.S. dollar in the remainder of 2015 and 2016 before rebounding in 2017. In 2018 and 2019, the Renminbi experienced further fluctuations in value and depreciated significantly against the U.S. dollar. On August 5, 2019, the PBOC set Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amid an uncertain trade and global economic climate.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in further devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations.

Such a 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 our U.S. dollar-denominated indebtedness. There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks.

The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond our control and which may cause damage, loss or disruption to our business

Natural disasters, epidemics, acts of war and political unrest, which are beyond our control, may materially and adversely affect the economy of the PRC and the cities in which we operate. Some areas in the PRC are under the threat of earthquakes, ice storms, floods, sandstorms, droughts or other natural disasters. For instance, in May 2008, April 2010 and April 2013, high-magnitude earthquakes occurred in the Sichuan Province and the Qinghai Province.

These disasters may cause significant casualties and loss of properties and any of our operations in the affected areas could be adversely affected. If similar or other inclement weather or climatic conditions or natural disasters occur, our operations may be hampered, which could adversely impact our business, results of operations and financial condition. In addition, certain areas of China are susceptible to epidemics such as SARS, H5N1 flu, H7N9 flu, H1N1 flu, or COVID-19.

A recurrence of SARS or an outbreak of H5N1 flu, H7N9 flu, H1N1 flu, COVID-19 or any other epidemics in China in general or in our target cities could result in material disruptions to our property developments, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations. Political unrest, acts of war and terrorism may also disrupt our business and markets, injure our employees, cause loss of lives or damage our properties, any of which could negatively impact our sales, costs, overall financial condition and results of operations. In particular, since the beginning of 2020, the outbreak of COVID-19 has resulted in travel restrictions and substantial disruptions in business activities around the world. The Chinese economy shrank for the first time since 1992 by 6.8% in the first quarter of 2020 before returning to an increase by 3.2% in the second quarter of 2020 and 4.9% in the third quarter of 2020. Despite signs of recovery, there is no assurance that PRC economy will see a robust rebound in 2020 and 2021. Additionally, the spread of COVID-19 globally and the resulting global economic distress may also cause a slowdown in the recovery of Chinese economy. The ongoing outbreak of COVID-19 may continue to have an adverse impact on our hotel operations, commercial leasing and retail operations and has created uncertainties in our city operations and property development operation. Moreover, our consolidated results of operations, cash flows and financial condition might be materially and adversely affected.

The potential for wars or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, prospects, financial condition and results of operations may as a result be materially and adversely affected.

Risks Relating to the Notes and the Guarantee

The Issuer has no material assets and relies on us to make payment under the Notes

The Issuer, a wholly-owned subsidiary of ours, was established specifically for the purpose of issuing debt securities such as the Notes, and will on-lend the net proceeds of such issuance to the Company. The Issuer does not and will not have any material assets other than amounts due to it from the Company in respect of such on-loan, and the Issuer's ability to make payments under the Notes will depend on our receipt of timely payments from the Company in respect of such on-loan.

We are a holding company and payments with respect to the Notes and the Guarantee are effectively subordinated to certain 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. The Notes will not be guaranteed by any current or future subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries. Accordingly, our ability to satisfy our obligations under the Guarantee will depend upon our receipt of principal and interest payments on any intercompany loans and distributions of dividends from our subsidiaries.

Other creditors, including trade creditors of our subsidiaries and any holders of preferred shares in our subsidiaries, would have a claim on our subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes and the Guarantee will be effectively subordinated to all existing and future obligations of our subsidiaries (other than the Issuer's), 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 (other than the Issuer) will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. In addition, even if the Company were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Company.

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

As a holding company, we depend on receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries to satisfy our obligations, including our obligations under the Notes and the Guarantee. The ability of our subsidiaries and associates to pay dividends and make payments on intercompany loans or advances to us 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.

Pursuant to certain PRC project loan agreements, some of our PRC subsidiaries are restricted from distributing dividends or making other distributions to us unless such loans are paid off or consent is obtained from the relevant lenders. 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 the Guarantee. 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 Guarantee.

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 and associates 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 addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding 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. 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 tax rate may be lowered to 5%.

However, according to current PRC tax regulations, an approval from the local tax authority for enjoying the 5% withholding tax rate is required and such lower rate will be denied to "conduit" or shell companies without business substance. As a result, there could be restrictions, including timing limitations, on payments from our PRC subsidiaries to meet payments required by the Notes or to satisfy the obligations under the Guarantee.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends from our subsidiaries to satisfy our obligations under the Notes or the Guarantee.

The Notes do not contain restrictive financial or operating covenants

The Indenture will contain various covenants intended to benefit the interests of the holders of the Notes that limit our ability to, among other things: incur liens and consolidate or merge with or into, or sell substantially all of our assets to, another person.

These covenants are subject to a number of important exceptions and qualifications. For more details, see "*Description of the Notes.*" The Indenture, however, does not contain restrictive financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us. In addition, the Indenture does not contain any other covenants or provisions that require us or the Issuer to achieve or maintain any minimum financial results relating to our or its respective financial position or results of operations. The Issuer's ability to recapitalize, incur additional debt and take other actions that are not limited by the terms of the Notes could have the effect of diminishing the Issuer's ability to make payments on the Notes when due or our ability to make payment on the Guarantee, if required.

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

Upon the occurrence of a Change of Control Triggering Event (as defined in "*Description of the Notes*"), the holders of the Notes will have the option to require the Issuer to repurchase their Notes at 101% of the principal amount plus accrued and unpaid interest. We may not be able to repurchase the Notes upon a Change of Control Triggering Event because we may not have sufficient funds. Our failure to repurchase the Notes upon a Change of Control Triggering Event would cause a default under the Notes, which in turn may 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 redeem the Notes and repay the debt.

In addition, the change of control provisions in the Notes may not protect you from certain important corporate events, such as a leveraged recapitalization (which would increase the level of our indebtedness), reorganization, restructuring, merger or other similar transactions, unless such transaction constitutes a change of control under the Notes. The definition of change of control for purposes of 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.

The Issuer may elect to redeem the Notes prior to their maturity

Pursuant to terms of the Notes, the Issuer may elect to redeem the Notes prior to their maturity in whole or in part at the price specified in the section entitled "*Description of the Notes – Optional Redemption*". The date on which the Issuer elects to redeem the Notes may not accord with the preference of particular Noteholders. In addition, a Noteholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Notes.

The ability of the holders of the Notes to accelerate payment on the Notes may be limited by the action or inaction of other holders of the Notes

The terms and conditions of the Notes require that the holders of the Notes must represent at least 25% of the outstanding Notes to be entitled to accelerate the Notes upon the occurrence and continuance of an event of default, other than certain insolvency events, which automatically accelerate the Notes. In addition, the same percentage of Notes is required in order to give notice to the Issuer or to us to remedy certain breaches of the terms and conditions of the Notes. The terms and conditions of the Notes also permit holders representing a majority of the outstanding Notes to waive certain defaults. Therefore, your right to accelerate payments on the Notes would be limited by the action or inaction of other holders of the Notes.

The Notes and the Guarantee are unsecured obligations

As the Notes and the Guarantee are unsecured obligations, the repayment of the Notes may be compromised if:

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

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

The ratings of the Notes may be downgraded or withdrawn

The Notes are expected to be rated "BBB-" by Fitch. The rating represents the opinions of the rating agency and its assessment of the ability of the Issuer and the Company to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes.

A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. Neither the Issuer nor the Company is obligated to inform holders of the Notes if the rating is lowered or withdrawn. A reduction or withdrawal of the rating may adversely affect the market price of the Notes and our ability to access the debt capital markets.

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 subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. 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 the PRC including evidence that the relevant PRC taxes have been paid. If any of our PRC subsidiaries for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, such PRC subsidiary will be unable to pay us dividends, which would adversely affect our ability to satisfy our obligations under the Notes.

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

The Company is listed on the SEHK. There may be less publicly available information about the Company and our subsidiaries 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 respects from generally accepted accounting principles in other jurisdictions, which might be material to the financial information contained in this offering circular.

The insolvency laws of Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar because the Company is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Company would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

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

The Notes are a new issue of securities for which there is currently no trading market. The Issuer will seek a listing of the Notes on the SEHK. 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. If the Notes are allocated to a limited group of investors, and a limited number of investors hold a significant proportion of the Notes, liquidity will be restricted and the development of an active trading market for the Notes will be affected. We cannot predict whether an active trading market for the Notes will develop or be sustained.

Conditions in international financial markets may adversely affect the market price of the Notes

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with operations in China, including the Notes, is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. The sub-prime mortgage crisis in 2008, the recent economic crisis in Europe and the United Kingdom's exit from the European Union on January 31, 2020 have brought significant volatility to international financial markets.

USE OF PROCEEDS

We estimate the gross proceeds to us from the sale of Notes offered pursuant to this offering circular to be US$599,448,000. We intend to use the proceeds of the offering of the Notes for the refinancing of existing medium-to long-term indebtedness due within one year.

CAPITALIZATION

The following table sets forth our consolidated current interest-bearing and other bank borrowings, non-current interest-bearing and other bank borrowings and equity as of December 31, 2020,

- on an actual basis;
- as adjusted to give effect to the redemption of the US$500 million subordinated guaranteed perpetual capital securities issued on February 4, 2016 (the "**2016 Perpetual Securities**") on February 4, 2021 and the issuance of 6.00% subordinated guaranteed perpetual capital securities in aggregate principal amount of US$500 million (the "**2021 Perpetual Securities**") on February 8, 2021; and
- as further adjusted to give effect to the issuance of the Notes offered hereby.

The as adjusted and as further adjusted information below is illustrative only and does not take into account any changes in our capitalization after December 31, 2020 other than as noted above. For additional information, see our financial statements and notes thereto included elsewhere in this offering circular.

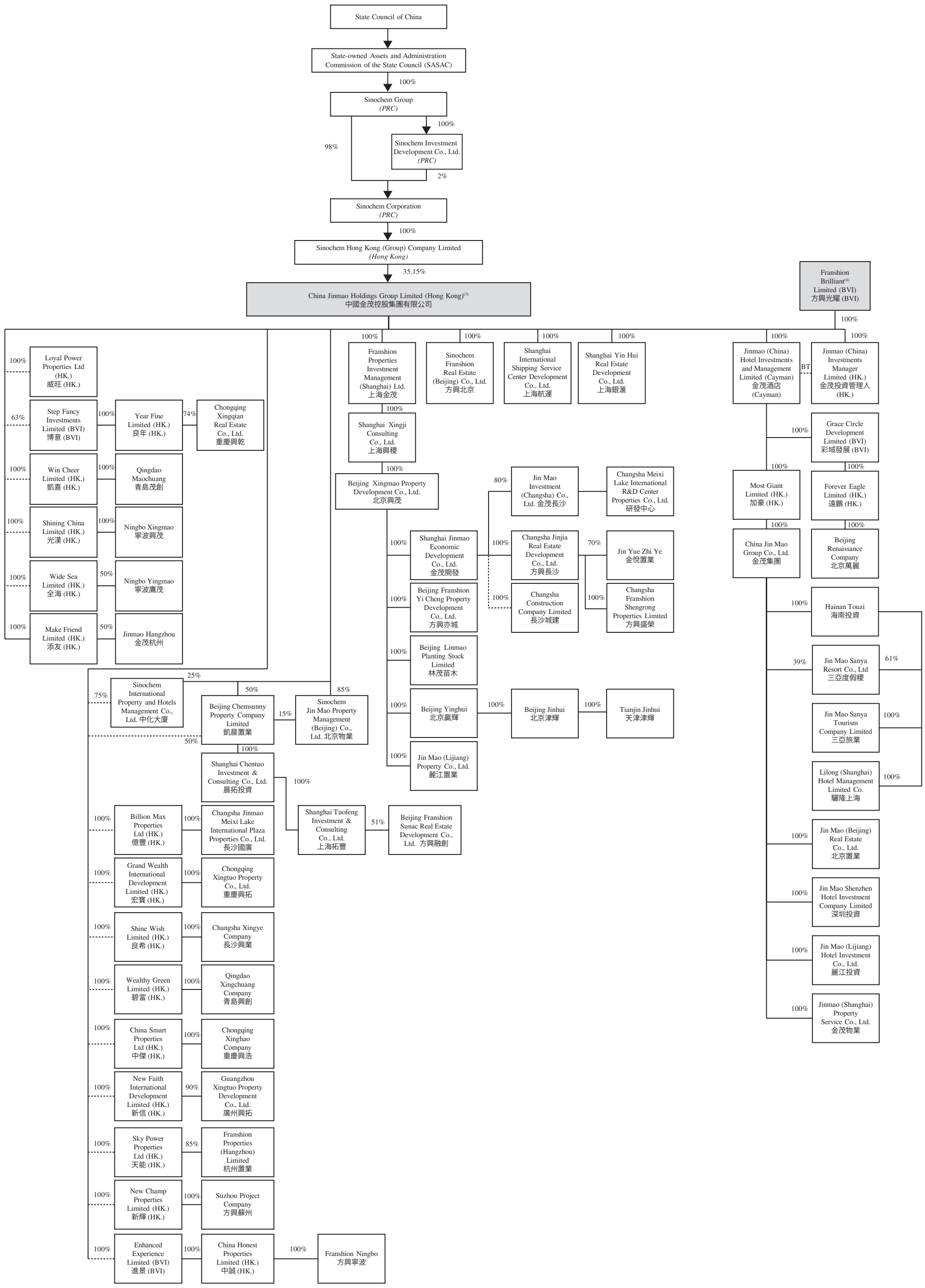
	As of December 31, 2020					
	Actual (unaudited)		As adjusted (unaudited)		As further adjusted (unaudited)	
	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Total current interest-bearing bank and other borrowings	27,771,429	4,256,158	27,771,429	4,256,158	27,771,429	4,256,158
Non-current interest-bearing bank and other borrowings	69,806,849	10,698,368	69,806,849	10,698,368	69,806,849	10,698,368
Notes offered hereby	–	–	–	–	3,915,000	600,000
Total non-current interest-bearing bank and other borrowings	69,806,849	10,698,368	69,806,849	10,698,368	73,721,849	11,298,368
Equity						
Share capital	26,132,248	4,004,942	26,132,248	4,004,942	26,132,248	4,004,942
Other reserves	20,629,816	3,161,658	20,629,816	3,161,658	20,629,816	3,161,658
Non-controlling interests	55,065,018	8,439,083	55,065,018	8,439,083	55,065,018	8,439,083
Total equity	101,827,082	15,605,683	101,827,082	15,605,683	101,827,082	15,605,683
Total capitalization(1)	171,633,931	26,304,051	171,633,931	26,304,051	175,548,931	26,904,051

(1) Total capitalization means total non-current interest-bearing bank and other borrowings plus total equity.

Except as disclosed elsewhere in this Offering Circular, there has not been any material adverse change in our capitalization and indebtedness since December 31, 2020. See "*Business – Recent Developments – Redemption of subordinated guaranteed perpetual capital securities*" and "*Business – Recent Developments – Issuance of subordinated guaranteed perpetual capital securities*" for more information.

STRUCTURE OF THE COMPANY

The following chart sets forth the shareholding and group structure of the Company(1)(2) as of December 31, 2020.



(1) This structure chart of the Company omits certain immaterial subsidiaries of the Company; unless stated otherwise herein, all subsidiaries of the Company are organised under the laws of the PRC

(2) The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available

(3) The Company

(4) The Issuer

--- Ownership through at least one other wholly-owned entity

DESCRIPTION OF THE ISSUER

Incorporation

The Issuer, Franshion Brilliant Limited 方興光耀有限公司, is a BVI business company incorporated under the laws of the British Virgin Islands on June 6, 2013. Its registered office is at Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands. The Issuer is a wholly-owned subsidiary of the Company.

Business Activity

The Issuer has not engaged since its incorporation in any material activities other than the issue of debt securities, including but not limited to the US$500,000,000 3.60% guaranteed senior notes due 2022 issued in March 2017, the RMB1,250,000,000 5.20% guaranteed senior notes due 2021 issued in March 2018, US$250,000,000 4.00% guaranteed senior notes due 2024 and US$500,000,000 4.25% guaranteed senior notes due 2029, all of which are guaranteed by the Company, and the issue of perpetual capital securities, including but not limited to the US$500,000,000 subordinated guaranteed perpetual capital securities issued in January 2017, the US$300,000,000 subordinated guaranteed perpetual capital securities issued in November 2017, the US$300,000,000 senior guaranteed perpetual capital securities issued in July 2017, the US$200,000,000 senior guaranteed perpetual capital securities issued in September 2017, the US$300,000,000 senior guaranteed perpetual capital securities issued in December 2018, the US$400,000,000 subordinated guaranteed perpetual capital securities issued in December 2019 and the US$500,000,000 subordinated guaranteed perpetual capital securities issued in February 2021, all of which are guaranteed by the Company.

Directors

The directors of the Issuer are LI Congrui and JIANG Nan.

Share Capital

The maximum number of shares that the Issuer is authorised to issue is 50,000 ordinary shares. One ordinary share (with a nominal value of US$1.00) has been issued and is held by the Guarantor.

Financial Statements

As a matter of British Virgin Islands law, the Issuer is not required to prepare financial statements, but it is required to keep such records and underlying documentation as are sufficient to show and explain its transactions and which will at any time enable the financial position of the company to be determined with reasonable accuracy.

Overview

We are a leading property developer and operator of large-scale and high-end residential and commercial real estate projects and engage in other real estate and hotel activities and businesses in major cities and popular vacation destinations in the PRC. Our ultimate parent company, Sinochem Group, is currently one of the 21 SOEs approved by SASAC to principally engage in real estate businesses, and one of six SOEs approved by SASAC to engage in hotel operations. Sinochem Group was rated “A” in corporate performance by SASAC and Moody’s, S&P and Fitch have assigned a corporate rating of “A3”, “A-” and “A”, respectively, with a stable outlook to Sinochem Hong Kong, a wholly-owned subsidiary of Sinochem Corporation.

We pursue development opportunities at prime locations in China’s major cities and have established an integrated development platform in three major business segments: city operations and property development, commercial leasing and retail operations and hotel operations. Our projects are located in Beijing, Shanghai, Chongqing, Shenzhen (Guangdong Province), Sanya (Hainan Province), Qingdao (Shandong Province), Changsha (Hunan Province), Nanjing (Jiangsu Province), Suzhou (Jiangsu Province), Lijiang (Yunnan Province), among other locations, and include notable developments such as the Jin Mao Tower, the Beijing Chemsunny World Trade Center, the Westin Beijing, Chaoyang and the Ritz-Carlton, Sanya.

The following map depicts the major cities in which we have city operations and property development projects, investment properties and hotels:

In adherence to our vision of “Unleashing Future Vitality of the City”, we focus on high-end positioning and premium quality and we endeavour to become a leading city operator in China. Based on our forecasts for future city development, we have integrated the concept of mutually beneficial city planning to enhance regional functions and city vitality. Currently, we have successfully entered the markets China’s rapidly developing regions including the Beijing-Tianjin-Hebei Metropolitan Region, the Yangtze River Delta and the Pearl River Delta. As of December 31, 2020, we were engaged in over 270 city operations and property development projects in 51 core cities including Beijing, Tianjin, Shanghai and Guangzhou.

We have won numerous industry awards:

Major Integrated Awards

- In March 2019, at the "2019 China Top 100 Real Estate Developers Research Conference cum the 16th China Top 100 Real Estate Developers Summit" jointly organized by the three research institutes, namely the Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy, we were ranked the 22nd among the "2019 China Top 100 Real Estate Developers,"and honored with the titles of "2019 China Top 100 Real Estate Developers by Profitability Top 10," "2019 China Top 100 Real Estate Developers by Growth Top 10" and "2019 China Top 100 Real Estate Developers by Financing Capabilities Top 10."

- In March 2019, at the 2019 Guardian Annual Forum organised by the Guardian Index Academy, we were ranked 14th among the 2019 Real Estate Excellence Top 100 in the PRC.

- In June 2019, we were ranked among the "15th China Blue Chip Real Estate Developers for 2019" at the 16th China Blue Chip Real Estate Developer Annual Conference organized by Economic Observer, an authoritative media.

- In August 2019, we were ranked among 449th of the 2019 Top 500 Asian Brands organized by the World Brand Lab for the first time.

- In September 2019, we were ranked 32nd among the 2019 Top 50 Most Valuable Real Estate Development Brands at the "Appraisal Results Conference of 2019 China Real Estate Developers cum Real Estate Brand Development Summit" jointly organized by the China Real Estate Association, Shanghai E-house Real Estate Academy and China Real Estate Brand Appraise Center.

- In September 2019, we were granted the China Jinmao AAA among the 2019 Top 50 China Real Estate Green Credit Ranking organised by the Investment Association, Green Ranking and Finance.

- In December 2019, we were ranked first among the 2019 Top 10 Most Competitive Green Property Developers in the PRC and were named one of the 2019 Top 10 Most Competitive Green Commercial Property Operators in China at the 21st China International Real Estate & Architectural Technology Fair (2019).

- In April 2020, we were awarded the title of "Comprehensive Brand Power Company" in the 17th Blue Chip Annual Conference in 2020 hosted by the Economic Observer.

- In November 2020, we were awarded the title of "2020 Outstanding City Operator" at the annual China Enterprise Competitiveness Conference organized by China Business News.

Major City Operations and Property Development Awards

- In March 2019, Beijing Daxing Jinmao Residence Project earned the "2019 Most Anticipated Development" at the Leju Beijing Innovation Summit cum Leju Award Ceremony of the Best Property Agency (樂居北京創新峰會暨樂居地產群英會頒獎典禮) organised by Sina Leju, and was honoured the "Most Valuable Residential Development in Glorious Twenty Years" 榮耀20年典藏人氣住宅) at the 20th Anniversary of Sohu Focus Brand Fair organised by Sohu Focus.

- In May 2019, Chengdu Wuhou Jinmao Palace won the title of "2019 Most Popular Real Estate Project in Chengdu Amongst Internet Users" at the 15th China Property Network Popularity Rankings (第十五屆中國房地產網絡人氣榜); in December 2019, it gained the title of "2019 Brand Value Property on the 2019 China Real Estate Billboard" (2019中國房產風雲榜2019年度品牌價值樓盤) by Anjuke.

- In July 2019, Qingdao Jimo International Smart New City Project obtained "BREEAM 3-star Certificate" granted by BRE Global Limited in the United Kingdom.

- In September 2019, the Shanghai Jinmao North Bund Land Project earned the "US LEED Certified Gold Rating."

- In December 2019, the Beijing Future Jinmao Palace Project was honoured with the Elite Science and Technology Award – Outstanding Green Community (精瑞科學技術獎綠色社區優秀獎) at the CRECC 2019 Annual Conference/the 16th Elite Habitat Award Forum approved by the Ministry of Science and Technology of the People's Republic of China and the National Office for Science and Technology Awards and organized by CRECC; the Beijing Serenity Palace Project was honoured with the Elite Science and Technology Award in Landscape Planning and Design (精瑞科學技術獎園林景觀規劃與設計優秀獎).

Major Hotel Awards

- In April 2019, Jinmao Hotel was titled the "2019 China Hotel Starlight Awards – Best Hotel Owner in China" (中國酒店業最佳業主) at the 2019 Asia Hotel Forum and Travel Annual Meeting cum the 14th China Hotel Starlight Awards.

- In September 2019, Jinmao Hotel was honoured with the title of "2019 Best Hotel Owner in China" at the 16th Golden Pillow Award of China Hotels (第十六屆中國酒店「金枕頭獎 – 2019年度中國最佳酒店業主」).

- In November 2019, Jinmao Hotel Lijiang • The Unbound Collection by Hyatt won the award of "the Hotel as the Best Destination" (最佳旅行目的地酒店) by the Examination Board of the Best Hotels (最佳酒店評選委員會).

Office and Other Project Awards

- In May 2019, Jinmao Property was ranked the 22nd among the "2019 Top 100 Property Service Companies" at the 2019 China Top 100 Real Estate Services' Latest Research Results Conference cum the 12th China Top 100 Real Estate Service Entrepreneur Summit (2019中國物業服務百強企業研究成果發佈會暨第十二屆中國物業服務百強企業家峰會)" organised by the China Index Academy and the China Real Estate Top 10 Research Team (中國房地產TOP10研究組).

- In August 2019, Jin Mao Tower was honoured with the title of "World's 50 Most Influential Tall Buildings" (全球50座最具影響力高層建築) by the Council on Tall Buildings and Urban Habitat.

- In September 2019, JM Capital was named one of the "2019 Top 50 Popular Institution for Private Equity Investment Among Start-ups in China" (2019年中國最受創業者歡迎私募股權投資機構TOP50) by 36Kr.com.

- In October 2019, Jin Mao Tower gained the platinum certification of LEED for Building Operations & Maintenance: Existing Buildings by U.S. Green Building Council at the 2019 Greenbuild China.

- In November 2019, Jinmao's Retail was named among the "TOP 100 Commercial Real Estate Developers with Outstanding Business Performance" (中國商業地產TOP100暨商業表現獎) in the 2019 China Commercial Real Estate Development Annual Report issued by the Guandian Index Academy (觀點指數研究院) at the 2019 Guandian Annual Commercial Convention.

- In November 2019, Jinmao Green Building was awarded the medal of "Strategic Partners of BREEAM" (BREEAM戰略合作夥伴) by BRE.

As of December 31, 2020, the total amount of our contracted sales was approximately RMB231.1 billion, and the amount of sales of properties and land contracted by us but not yet delivered and settled was approximately RMB301.7 billion. As of December 31, 2020, we have an aggregate GFA of 803,006 sq.m. of investment properties in our commercial leasing and retail operations business and a total of 3,968 rooms occupying an aggregate GFA of 637,191 sq.m. in our 10 hotel properties.

The following table sets forth our revenue by business segments.

	Year Ended December 31,					
	2018		2019		2020	
	(audited)		(audited)		(audited)	
	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)
City operations and property development	33,734.2	87	37,721.4	87	54,366.5	91
Commercial leasing and retail operations	1,449.8	4	1,446.8	3	1,461.4	2
Hotel operations	2,047.9	5	1,967.1	5	1,257.8	2
Others	1,500.8	4	2,220.6	5	2,968.2	5
Total	38,732.7	100	43,355.9	100	60,053.9	100

For the years ended December 31, 2018, 2019 and 2020, our revenue was RMB38,732.7 million, RMB43,355.9 million and RMB60,053.9 million, respectively, and the profit attributable to owners of the parent and non-controlling interests was RMB7,376.7 million, RMB8,629.1 million and RMB6,195.1 million, respectively.

The following table sets forth our gross profit margin by business segments.

	Year Ended December 31,		
	2018	2019	2020
	Gross profit margin (%)		
Overall	38	29	20
City operations and property development	36	27	18
Commercial leasing and retail operations	87	87	86
Hotel operations	49	49	43

Basic earnings per share for the year ended December 31, 2020 were RMB31.86 cents, representing a decrease of 43% as compared with RMB55.64 cents for the year ended December 31, 2019. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was RMB26.51 cents for the year ended December 31, 2020, compared with RMB52.74 cents for the year ended December 31, 2019.

In August 2007, we were listed on the Main Board of the SEHK and are currently one of the component stocks of the Hong Kong Hang Seng Composite Index, Morgan Stanley Capital International China Index and National Association of Real Estate Investment Trust Global Emerging Index.

In 2014, the Company completed the spin-off of the properties in Jin Mao Tower and eight high-end hotels. As a result, our hotel operations were successfully and separately listed on the SEHK by trust structure under the name of Jinmao Hotel & Jinmao (China) Hotel Investments and Management Limited (formerly known as Jinmao Investments and Jinmao Holdings) (stock code: 06139). The spin-off and listing of the hotel operations segment effectively released the value of the hotel assets, expanded our investment and financing channels and improved the capital structure of the Company. The initial property portfolio for this spin-off includes: Jin Mao Tower (comprising Grand Hyatt Shanghai, office, retail and tourist areas), The Westin Beijing Chaoyang, JW Marriott Shenzhen, The Ritz-Carlton, Sanya, Hilton Sanya Resort and Spa, Hyatt Regency Chongming, Renaissance Beijing Wangfujing and Grand Hyatt Lijiang. Following our privatization of Jinmao Hotel & Jinmao (China) Hotel Investments and Management Limited by way of a scheme of arrangement, its listing on SEHK has been withdrawn on October 5, 2020. See "*Business – Recent Developments – Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel*" for more details.

Competitive Strengths

We believe that the following factors contribute to our strong competitive position:

Balanced portfolio of property developments and investments

We maintain a balanced portfolio of property developments and investments, including office buildings, luxury hotels, high-end residential properties and mixed-use commercial complexes. For the years ended December 31, 2018, 2019 and 2020, revenue from our city operations and property development business accounted for 87%, 87% and 91% respectively, of our total revenue; revenue from our commercial leasing and retail operations business accounted for 4%, 3% and 2%, respectively, of our total revenue; and our hotel operations business accounted for 5%, 5% and 2%, respectively, of our total revenue. We believe that our balanced business model increases revenue stability, reduces our operational risk and enhances the sustainability of our growth.

Our commercial leasing and retail operations and hotel operations businesses provide us with recurring income. In our commercial leasing and retail operations business, we focus on developing high-end commercial properties at prime locations in major cities in China. We have established close relationships with our major tenants, many of which are large SOEs and multi-national corporations, which contribute to a stable tenant profile and revenue stream. The occupancy rate for our five investment properties, the Beijing Chemsunny World Trade Center, Sinochem Tower, Jin Mao Tower – office portion, Nanjing Xuanwu Lake Jinmao Plaza Phase I – office portion and Changsha Meixi Lake International R&D Center, was 100%,100%, 92.7%, 86.2% and 100%, respectively, for the year ended December 31, 2019, and 100%, 96.1%, 93.4%, 93.2% and 100%, respectively, for the year ended December 31, 2020.

We have several other investment properties under development, which we anticipate will increase our recurring income upon their completion. In our hotel operations business, we focus on developing luxury hotels and resorts at prime locations in major cities and prime vacation destinations in China. As of December 31, 2020, our hotel operations comprised 3,968 rooms spread across 10 luxury hotels in China.

The recurring income from our commercial leasing and retail operations and hotel operations businesses is augmented by property sales from our city operations and property development business. We believe that pre-sales of our properties under development will generate significant cash flow, which will continue to contribute funding for future property development projects and investment and hotel properties.

Since 2010, the PRC government has introduced new policies intended to curtail overheating of the PRC property market. Many of these new policies are directed at the residential property market. See "*Risk Factors – Our operations could be materially and adversely affected by government policies and regulatory measures designed to slow the growth of the PRC real estate market*." Due to our diversified business model, we are exposed to relatively lower regulatory risks than our less diversified competitors that have a higher proportion of residential property developments and investments.

Geographically diverse businesses in prime locations in strategically targeted markets with high growth potential

We focus on developing and operating a geographically diverse portfolio of property developments and hotels in prime locations in a number of strategically targeted markets, including major cities such as Beijing, Shanghai, Chongqing, Changsha, Qingdao and Nanjing, and popular vacation destinations such as Sanya, Suzhou and Lijiang. We believe each of our target markets has high growth potential in terms of, among other factors, regional GDP, average income level, infrastructure, supply and demand dynamics, and ability to attract purchasers from outside that area, which contributes to sustainable growth of the property market.

Our commercial properties located in central business districts attract and retain high-profile tenants, including many SOEs and multinational corporations that are generally willing to pay premium rental rates for high-end commercial space. For example, Beijing Chemsunny World Trade Center is a property consisting of three parallel and interconnected 14-story office buildings centrally located at Beijing's "Finance Street", one of Beijing's prime business districts, with major tenants including The Export-Import Bank of China, Sinochem Group and Thomson Reuters. Jin Mao Tower and Sinochem Tower also have various high profile tenants, such as IBM, Manulife, Agricultural Bank of China and ICBC both for short- and long-term leases.

In addition, our luxury hotels are located in or close to central business and commercial districts as well as at popular vacation destinations, contributing to our relatively high occupancy rates and ability to charge premium room rates. For example, the Grand Hyatt Shanghai is centrally located in the Jin Mao Tower in the Pudong Lujiazui Finance and Trade Zone of Shanghai, and the Ritz-Carlton, Sanya is a prime beachfront property in the popular holiday destination of Sanya, Hainan Province.

We have selected target cities located in different parts of China featuring complementary growth profiles and different stages of economic development in order to diversify against regional market fluctuations. We believe the target markets in which we operate provide a solid platform for sustaining our business growth.

Strong support from our ultimate parent company, Sinochem Group, one of China's twenty-one SOEs under the direct supervision of SASAC allowed to develop and invest in real estate as part of its core businesses

We are the exclusive real estate platform of our ultimate parent company, Sinochem Group. Sinochem Group has been named in the "Fortune Global 500" 30 times, ranking 109th in 2020. It is a multi-industry conglomerate with businesses in energy, agriculture, chemicals, real estate and financial services. Sinochem Group is one of the 21 SOEs approved by SASAC to develop and invest in real estate as part of its core businesses and one of six SOEs approved by SASAC to engage in hotel operations.

Sinochem Group maintains a strong interest in the success of our business. As a result, we have been provided development and investment opportunities through our close ties with Sinochem Group. For example, we receive certain preferential rights from Sinochem Group, such as the right of first refusal to participate in the redevelopment of Sinochem Group's existing properties and the option to acquire Sinochem Group's equity stake in certain properties.

In addition, as one of Sinochem Group's core subsidiaries, we are able to utilize Sinochem Group's extensive network and resources. For example, we have established long-term cooperative relationships with well-established local partners and local governments to effectively gain access to local markets and obtain more property development opportunities through their strong support and local knowledge and networks of such partners and governments.

We also enjoy strong financial support from Sinochem Group. For example, Sinochem Finance Co. Ltd., Sinochem's financing arm, has from time to time provided us with a combination of short and long-term unsecured loan facilities.

Access to a prime land bank well-suited to our real estate development model

We have a successful track record of gaining access to land that is well-suited to our business model. The PRC government controls all new land supply, and government agencies grant land use rights for residential and commercial property developments through public tender, auction or listing-for-bidding. Many factors are considered in a government's decision to grant such land, including price and the relevant experience of the potential buyer.

We believe that many of our projects contribute to the overall development of the local communities where they are located and contribute to the capital growth of properties in the vicinity of our projects. As such, we believe that we have established a good reputation and strong relationships with local governments, which provide a significant advantage in obtaining prime development sites and allow us to maintain a sufficient project pipeline that is integral to maintaining our growth.

In addition, our successful track record of gaining access to prime land and developing high-end commercial and residential property, combined with our close relationship with Sinochem Group, local governments and industry operators, places us in a strong position to further acquire prime land for development. We selectively bid for land use rights, focusing on land suitable for high-end commercial and residential developments.

Our completed and on-going projects are located in Shanghai, Beijing, Chongqing, Sanya, Lijiang, Suzhou, Hangzhou, Guangzhou, Nanjing, Ningbo, Changsha and Qingdao, among others, all of which are locations in which we expect demand for high-end commercial and residential properties to grow.

Experienced management team

Our directors and senior management team are highly experienced in real estate development, finance and management. We believe that our success is largely attributable to our stable and experienced team of executive and non-executive directors which, as of the date of this offering circular, consists of 12 personnel, many of whom have over 10 years of experience with us or Sinochem Group. Our Chairman, Mr. Ning, has nearly 30 years' experience in real estate development and investment business management, capital markets and internal controls.

We are able to maintain the stability of our management team by (1) assigning them positions and duties in accordance with their interests and capabilities whenever possible; (2) establishing a healthy and harmonious corporate culture to help ensure that management enjoy their respective assignments and duties within the management team; (3) establishing fair and reasonable performance assessment metrics; and (4) providing competitive salaries and compensation. We believe that the extensive industry experience of our senior management helps us to successfully determine and implement our business strategy and direction. See "*Management*" for more details.

Strong brands and track record in developing innovative, high-end projects with high-quality construction

We believe that we have established strong brands and a track record of developing projects with innovative designs and high-quality construction under "*Franshion*" and "*Jin Mao*" brands and that this track record positions us well to take advantage of the current and expected growth in the PRC commercial and residential property sectors. In March 2019, at the "2019 China Top 100 Real Estate Developers Research Conference cum the 16th China Top 100 Real Estate Developers Summit" jointly organized by the three research institutes, namely the Enterprise Research Institute of the Development Research Center of the State Council, the Institute of Real Estate Studies of Tsinghua University and the China Index Academy, we were ranked the 22nd among the "2019 China Top 100 Real Estate Developers," and honored with the titles of "2019 China Top 100 Real Estate Developers by Profitability Top 10," "2019 China Top 100 Real Estate Developers by Growth Top 10" and "2019 China Top 100 Real Estate Developers by Financing Capabilities

Top 10." In March 2019, at the 2019 Guardian Annual Forum organised by the Guardian Index Academy, we were ranked 14th among the 2019 Real Estate Excellence Top 100 in the PRC. In June 2019, we were ranked among the "15th China Blue Chip Real Estate Developers for 2019" at the 16th China Blue Chip Real Estate Developer Annual Conference organized by Economic Observer, an authoritative media. In August 2019, we were ranked among 449th of the 2019 Top 500 Asian Brands organized by the World Brand Lab for the first time. In September 2019, we were ranked 32nd among the 2019 Top 50 Most Valuable Real Estate Development Brands at the "Appraisal Results Conference of 2019 China Real Estate Developers cum Real Estate Brand Development Summit" jointly organized by the China Real Estate Association, Shanghai E-house Real Estate Academy and China Real Estate Brand Appraise Center. In September 2019, we were granted the China Jinmao AAA among the 2019 Top 50 China Real Estate Green Credit Ranking organised by the Investment Association, Green Ranking and Finance. In December 2019, we were ranked first among the 2019 Top 10 Most Competitive Green Property Developers in the PRC and was named one of the 2019 Top 10 Most Competitive Green Commercial Property Operators in China at the 21st China International Real Estate & Architectural Technology Fair (2019). In April 2020, we were awarded the title of "Comprehensive Brand Power Company" in the 17th Blue Chip Annual Conference in 2020 hosted by the Economic Observer. In November 2020, we were awarded the title of "2020 Outstanding City Operator" at the annual China Enterprise Competitiveness Conference organized by China Business News.

To achieve high quality designs, we engage internationally-renowned architects and designers to create innovative and unique properties. For example, we engaged Skidmore, Owings & Merrill LLP, a U.S.-based architectural design firm, to design the Beijing Chemsunny World Trade Center. To ensure that the Beijing Chemsunny World Trade Center project would meet high construction quality standards, we engaged a well-known engineering corporation, China State Construction Engineering Corporation, to construct the project.

Track record of prudent financial management and access to diverse funding sources

We adhere to relatively conservative financial practices in the management of our business and capital structure. We typically finance our operations through a mixture of internal cash reserves and credit facilities and have also issued shares, senior notes, perpetual convertible securities and perpetual capital securities. Over the years, we have built up strong financial flexibility with established access to capital markets and diversified funding channels.

We maintain a strong liquidity position. As of December 31, 2020, we had cash and cash equivalents of approximately RMB43,455.6 million and committed undrawn facilities totalling approximately RMB101,567.1 million with a net gearing ratio[1] of 41%. We believe our prudent financial management is reflected in our strong balance sheet and healthy credit profile, which have been instrumental in securing domestic and international financing.

In addition, we have further pushed ahead with the "Zhongxin Scheme" which effectively secures investment demand to achieve low-cost and multi-channel financing and we have officially implemented the Administrative Measures on Investment and Financing Matching to increase investment management capabilities and optimize resource allocation. We also have expanded our funding channels by the issuance of property management fee ABS, RMB dim sum bonds and perpetual medium-term notes. From 2017 to 2018, our debt structure remained unchanged with approximately 70% RMB debt and 30% non-RMB debt. In 2019, our debt structure was approximately 67% RMB debt and 33% non-RMB debt. In 2020, our debt structure has changed to approximately 36% RMB debt and 64% non-RMB debt. The amount of credit facilities available to us has increased from RMB130 billion in 2018 to RMB157 billion in 2019 and has further increased to RMB173.6 billion as of December 31, 2020. Correspondingly, we have also seen an increase in the amount of undrawn facilities, from RMB60 billion in 2018 and to RMB87 billion in 2019 and further to RMB101.6 billion as of December 31, 2020.

1 Net gearing ratio = (total interest-bearing bank and other borrowings – total cash balance)/(total equity + amount due to the immediate holding company)

Pioneer in green strategy to achieve innovation driven, long-term growth

We believe that our property resources and experience enable us to capitalize on our know-how and research and development capabilities to extend the application of building technology to the provision of whole-life cycle technological services for green and healthy, smart technology buildings. In addition, based on the whole-life cycle of city operations, we believe we are well positioned to gradually form a comprehensive service system with an emphasis on property and ancillary services which features tenant recruitment and services, as supplemented by services of retail and hotel management.

Jinmao Green Building pursues a technology-led strategy and continues to lead and improve industry standards with a focus on comprehensive services in the areas of smart energy and building technology. In 2019, Jinmao Green Building was granted the licensing rights of one invention patent, 37 utility model patents and six software copyrights.

Our smart energy initiative emphasizes research and development of smart energy technologies. In 2020, we held the inauguration ceremony of the scientific research and experimental base of Jinmao Green Building was held in the Renhe Sci-tech Park of Liando U Valley in Shunyi District, Beijing, with five laboratories designed to facilitate the research and development of building technology and smart energy projects. In addition, we continue to step up efforts to expand our building technology entities into the external markets and augment technology systems in the whole-process services from design, consultation, supply, construction, commissioning to operation and maintenance. As of December 31, 2020, we have completed the investment, construction and operation of 54 energy stations at municipality, region and project level, with a total energy supply area of approximately 40 million sq.m. During the year ended December 31, 2020, we obtained patent authorizations including 14 invention grants, 86 utility model patents, 15 design patents and 10 software copyrights.

In addition, we are also committed to the national green standards development and have participated in the drafting of the following national standards or guidelines, including:

- Green Residential Area Standard;
- Healthy Building Evaluation Standard;
- Design Standard of Energy Conservation of Residential Buildings;
- Energy Conservation Monitoring Standard of Heating Supply System;
- Energy Efficiency Monitoring Standard of Air Conditioning and Cold Source System; and
- Guidelines on Design and Construction Technologies of Green and Eco-Friendly Urban Areas.

In 2019, we also participated in various green conferences, including the 15th Conference on International Green and Energy-Efficient Building cum New Technologies and Products Expo in April, Green Health and Smart Technology – 2019 China Healthy Building Research Series Salon in June and the 2019 Summit on Green Building Industrial Chain in China cum the 21st China International Real Estate & Architectural Technology Fair in December.

We have also obtained a variety of green credentials. As of December 31, 2020, we obtained 219 green building certifications or labels labels, including a total of 125 national green building certifications or labels, 52 BREEAM certifications, 28 LEED certifications, one passive low-energy building design certification, eight WELL certifications, two Guobiao healthy building certifications, one French HQE 5-star certification, and two other provincial certification green building labels, and the total GFA of projects that have satisfied the design requirements of green label was 20,983,600 sq.m. In 2019, we also issued inaugural green bond in 2019 and ranked among the "Top 10 Companies in Green Development Competitiveness" at the China International Real Estate & Architectural Technology Fair 2019.

Strategies

We aim to continue to grow as a leading developer and operator of high-end commercial properties, residential properties, mixed-use commercial complexes and luxury hotels in the PRC. We continue to adhere to "two-wheel and two-wing driven" development strategy and constantly strengthen the growth vitality of our core businesses of property development and property holding while accelerating the transformation and implementation of our innovation businesses, such as finance and services, with a view to enhancing the overall strength. We plan to achieve this goal through the following strategies:

Continue to focus on the development and operation of high-end real estate projects in prime locations in major cities and popular vacation destinations

We intend to continue to focus on developing and operating high-end real estate projects, in particular commercial and residential property complexes and hotels, at prime locations in China's major cities and popular vacation destinations. We believe that high-quality and notable properties, such as Jin Mao Tower, a landmark in Shanghai, and the Ritz-Carlton, Sanya, can command higher prices and higher long-term appreciation potential and enable us to achieve better operating results.

We have several high-end real estate projects under development, including the Shanghai International Shipping Service Center located on the banks of the Huangpu River in Shanghai. As of December 31, 2020, we were engaged in over 270 city operations and property development projects at different stages of development at sites located in Beijing, Shanghai, Suzhou, Hangzhou, Guangzhou, Changsha, Qingdao, Lijiang, Chongqing, Nanjing, Ningbo, Tianjin, Foshan, Shenzhen, Zhengzhou, Wuhan, Hefei and Wuxi, including 27 city operations projects.

Maintain a balanced portfolio of property developments and investments encompassing a variety of property types

We plan to maintain a balanced portfolio of property developments and investments, including office buildings, luxury hotels, high-end residential properties and mixed-use commercial complexes. For example, we are developing the Lijiang Jinmao Whisper of Jade Dragon Project as a mixed-use complex incorporating high-end residential properties, a luxury hotel and retail properties and have developed the Shanghai Dongtan Jinmao Noble Manor project into an integrated recreation, sports and holiday resort, consisting of a sports park, low-density residential properties, a holiday resort and property right hotels. We also plan to actively adjust the proportion of properties held for long-term management and properties developed for sale to achieve a balanced operational portfolio and to increase revenue stability and visibility, reduces our operational risk and enhances the sustainability of our growth.

Continue to collaborate with local governments to diversify our sources of high quality land bank

Although we still focus primarily on acquiring land use rights and developing high-end commercial and residential properties for sale or investment, we have recently begun collaborating with local governments in developing land prior to the land use rights allocation process.

Pursuant to this agreement, we will manage all land requisition, compensation and resettlement, preliminary municipal infrastructure and urban public facilities planning, and other related developments within the Changsha Meixi Lake Primary Land Development Project area. Following the sale of the land plots by the local government, we are entitled to receive the land development fee from local authorities. We will be allowed to subsequently participate in the bidding for or auction or listing-for-sale of the land developed in connection with the project.

Continue to leverage our project development expertise, our relationship with Sinochem Group and our established SOE network to secure high-quality land resources

We typically acquire land use rights through competitive bidding or cooperation with local governments, or by purchasing these rights from third parties or by indirectly acquiring such rights through purchasing equity interests in companies that hold the desired land use rights. Accordingly, we believe our project development experience and established industry relationships strengthen our ability to secure land resources.

In addition, as one of Sinochem Group's core subsidiaries, we are able to utilize Sinochem Group's extensive network and resources in negotiations with governmental authorities to secure rights to develop projects. We intend to capitalize on our experience and relationships, including with Sinochem Group, to acquire land in locations with vibrant economies and high revenue potential, including the Yangtze River Delta, the Pearl River Delta, the Bohai Bay Region (which includes the Beijing metropolitan region), the Central China region and popular vacation destinations in China.

Continue to enhance our brand awareness to stimulate sales and property prices

We intend to promote our brand names by focusing on high-quality and innovative projects, enhancing our customers' overall satisfaction and reinforcing the association of the Franshion and Jin Mao brands with prestige and quality. We will continue to build market recognition of our brand names through marketing initiatives such as advertising campaigns, participation in international property exhibitions and organizing customer promotion events.

For example, in April 2019, Jinmao Hotel was titled the "2019 China Hotel Starlight Awards – Best Hotel Owner in China" (中國酒店業最佳業主) at the 2019 Asia Hotel Forum and Travel Annual Meeting cum the 14th China Hotel Starlight Awards. In September 2019, Jinmao Hotel was honoured with the title of "2019 Best Hotel Owner in China" at the 16th Golden Pillow Award of China Hotels (第十六屆中國酒店「金枕頭獎 – 2019年度中國最佳酒店業主」). In August 2019, the Company was ranked at 449th among the 2019 Top 500 Asian Brands organized by the World Brand Lab for the first time. In September 2019, the Company was ranked 32nd among the 2019 Top 50 Most Valuable Real Estate Development Brands at the "Appraisal Results Conference of 2019 China Real Estate Developers cum Real Estate Brand Development Summit" jointly organized by the China Real Estate Association, Shanghai E-house Real Estate Academy and China Real Estate Brand Appraise Center.

In 2020, we obtained 219 green building certifications and labels. In 2018 and 2019, the Company was ranked first among the "Top 10 Green Development Competitiveness Enterprises" for two consecutive years.

Continue to incorporate innovation into our projects, creating technologically advanced and innovative projects

To help ensure the quality and utility of our developments, we consult with potential clients prior to designing and constructing new projects. During this process, we work with internationally-renowned architectural and design firms, such as the U.S.-based Skidmore, Owings & Merrill LLP, to incorporate innovative concepts and technology into our projects. We intend to continue to innovate in an effort to create technologically advanced projects.

For example, we plan to develop offices, residential buildings and hotels with technologically advanced features designed to conserve energy, allow natural light to enter buildings and enhance the aesthetics of the development. We believe that by incorporating such innovation into our projects, we will be able to provide our customers with unique and attractive properties and distinguish our projects and businesses from those of our competitors.

Continue to implement green strategy to achieve innovative development and differentiated competition

We intend to implement green strategy as a means to achieve the Company's innovative development and to establish its competitive advantage. During 2019, we also issued an inaugural offshore green bond. We are also the first real estate company in China approved to issue green corporate bonds. In December 2017, we obtained the China Securities Regulatory Commission's approval for issuance of up to RMB4.4 billion domestic green corporate bonds. During 2020, we obtained 36 green building certifications and labels for a total of 25 projects, including a total of 24 Guobiao green building labels, 8 BREEAM certifications, 1 LEED gold certification, 1 WELL gold certification, 1 French HQE 5-star certification and 1 Guobiao healthy 2-star certification. The above included two Sino-British green building joint dual certifications. As of December 31, 2020, the total GFA of our projects that satisfied the design requirements of green and healthy labels or certifications was 20,983,600 sq.m.

Recent Developments

Privatization of Jinmao Hotel Investments and Management and Jinmao Hotel

On June 12, 2020, the Company, Jinmao (China) Hotel Investments and Management Limited ("**Jinmao Hotel Investments and Management**") and Jinmao Hotel made a joint announcement, in which the Company requested the boards of Jinmao Hotel and Jinmao (China) Investments Manager Limited, in its capacity as trustee-manager of Jinmao Hotel, to put forward a proposal for the privatization of Jinmao Hotel and Jinmao Hotel Investments and Management. On September 28, 2020, the proposal for the privatization of Jinmao Hotel and Jinmao Hotel Investments and Management by way of a scheme of arrangement became effective. The total amount of cash paid for the privatization was approximately HK$3,190.5 million.

Redemption of subordinated guaranteed perpetual capital securities

On February 4, 2021, the Company exercised its optional redemption right to redeem the 2016 Perpetual Securities at the redemption price equal to the outstanding principal amount thereof plus any distributions (including any arrears of distribution and additional distribution amounts) accrued to (but excluding) February 4, 2021. The 2016 Perpetual Securities were redeemed in full on February 4, 2021, and after the redemption, there is no 2016 Perpetual Securities outstanding.

Issuance of subordinated guaranteed perpetual capital securities

On February 8, 2021, the Issuer issued the 2021 Perpetual Securities.

Our Principal Business Activities

We divide our business activities into the following four business segments:

- city operations and property development;
- commercial leasing and retail operations;
- hotel operations; and
- others.

As of December 31, 2020, the total amount of our contracted sales was approximately RMB231.1 billion, and the amount of sales of properties and land contracted by us but not yet delivered and settled was approximately RMB301.7 billion. As of December 31, 2020, we have an aggregate GFA of 803,006 sq.m. of investment properties in our commercial leasing and retail operations business and a total of 3,968 rooms occupying an aggregate GFA of 637,191 sq.m. in our 10 hotel properties. The following table sets forth our revenue by business segment.

	Year Ended December 31,					
	2018		2019		2020	
	(audited)		(audited)		audited	
	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)	RMB (million)	Percentage of the total revenue (%)
City operations and property development	33,734.2	87	37,721.4	87	54,366.5	91
Commercial leasing and retail operations	1,449.8	4	1,446.8	3	1,461.4	2
Hotel operations	2,047.9	5	1,967.1	5	1,257.8	2
Others	1,500.8	4	2,220.6	5	2,968.2	2
Total	38,732.7	100	43,355.9	100	60,053.9	100

Major City and Property Development Projects

The major city and property development projects that we are involved in as of December 31, 2020 is as follows:

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Beijing					
Beijing International Community Project	Shunyi District, Beijing, China	408,227	Residential	49.00%	2023
Beijing Jinmao Palace Project	Fengtai District, Beijing, China	173,995	Residential	49.00%	2021
Beijing Future Jinmao Palace Project	Changping District, Beijing, China	267,261	Residential/	47.00%	2023
Beijing Serenity Palace Project	Fengtai District, Beijing, China	222,589	Office Residential	20.00%	2021
Beijing Hopson • Jinmao • Poly • Greentown Jinmao Palace Project	Fengtai District, Beijing, China	76,339	Residential	25.00%	2022
Shanghai					
Shanghai Hongqiao • Jinmao Residence Project	Qingpu District, Shanghai, China	119,927	Residential	51% and 49% (Note 4)	2021
Shanghai Nanqiao Jinmao Residence Project	Fengxian District, Shanghai, China	72,275	Residential	38.00%	2022
Shanghai Style + Project	Jiading District, Shanghai, China	61,533	Residential	30.00%	2021
Shanghai Xijiao Jinmao Palace Project	Jiading District, Shanghai, China	191,770	Residential	29.73%	2020
Shanghai Xincheng Hongkou Jinmao Palace Project	Hongkou District, Shanghai, China	62,808	Residential/ Commercial	49.00%	2020
Guangzhou					
Guangzhou Poly Longyue Mansion Project	Baiyun District, Guangzhou, Guangdong Province, China	442,215	Residential	25.00%	2023

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Guangzhou CR Land – Road King – Jinmao – Tong Residence Project	Huadu District, Guangzhou, Guangdong Province, China	211,870	Residential	30.00%	2023
Guangzhou Lingshan Island Jinmao Harbour Project (Phase II)	Nansha District, Guangzhou, Guangdong Province, China	91,092	Residential	100.00%	2023
Guangzhou Yuexiu & Jinmao – Lingshan Island Jinmao Harbour Project	Nansha District, Guangzhou, Guangdong Province, China	103,685	Residential	49.00%	2022
Guangzhou Cinda & Jinmao – Tianhe Jinmao Plaza Project	Tianhe District, Guangzhou, Guangdong Province, China	296,956	Residential	40.00%	2021
Guangzhou China Merchants • Jinmao • Poly HEFU Project (廣州招商 • 金茂 • 保利和府項目	Conghua District, Guangzhou, Guangdong Province, China	399,587	Residential/ Commercial Residential	25.00%	2025
Changsha					
Changsha Jinmao C&D • Boyue Project (長沙金茂建發 • 泊悅項目)	Yuelu District, Changsha, Hunan Province, China	158,127	Residential	51.00%	2021
Changsha Jinmao C&D • Guanyue Project (長沙金茂建發 • 觀悅項目)	Furong District, Changsha, Hunan Province, China	245,620	Residential	51.00%	2021
Changsha Xincheng Jinmao Dream • Hua Palace Project	Xiangjiang New District, Changsha, Hunan Province, China	275,283	Residential	30.00%	2022
Changsha Xincheng Jinmao Dream • Xi Residence Project	Xiangjiang New District, Changsha, Hunan Province, China	189,215	Residential	30.00%	2022
Nanjing					
Nanjing Dongcheng Jinmao Residence Phase II Project	Jiangning District, Nanjing, Jiangsu Province, China	91,323	Residential	30.00%	2021
Nanjing Gucheng Lake • Jinmao Noble Manor Project	Gaochun District, Nanjing, Jiangsu Province, China	299,705	Residential/ Commercial	49.00%	2022
Land Parcel No. G97, Southern Hexi Yuzui, Nanjing	Jianye District, Nanjing, Jiangsu Province, China	959,572	Complex	27.50%	2025
Nanjing Jiangning Jinmao Residence Project	Jiangning District, Nanjing, Jiangsu Province, China	237,912	Residential	55.00%	2022
Nanjing Greenland Jinmao • International Finance Centre Project	Jiangbei New District, Nanjing, Jiangsu Province, China	975,344	Complex	40.00%	2023
Nanjing Pinglan Palace Project	Gaochun District, Nanjing, Jiangsu Province, China	175,327	Residential	29.00%	2022
Land Parcel No. 2019G05, Tangshan Spa & Wellness Town Phase I, Jiangning District, Nanjing	Jiangning District, Nanjing, Jiangsu Province, China	330,706	Complex	47.00%	2023

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Land Parcel No. 2019G36, Innovation Science Park, Qixia District, Nanjing	Qixia District, Nanjing, Jiangsu Province, China	254,203	Residential	24.00%	2022
Land Parcel No. 2019G32 at the north of Yingtiandong Street, South New City, Qinhuai District, Nanjing	Qinhuai District, Nanjing, Jiangsu Province, China	221,605	Residential	28.00%	2022
Nanjing Xuanwu Lake Jinmao Plaza Project (Phase II)	Gulou District, Nanjing, Jiangsu Province, China	249,826	Complex	47.83%	2026
Chongqing					
Chongqing Bishan Jinmao Residence Project	Bishan District, Chongqing, China	352,225	Residential	100.00%	2023
Chongqing Jinmao International Ecological New City Project	Yubei District, Chongqing,	792,555	Residential/ Commercial	72.77%	2022
Chongqing Longxing International Ecological New City Project (Northern Land Parcel)	China Liangjiang New Area, Chongqing, China	232,610	Residential	50.00%	2023
Chongqing Longxing International Ecological New City Project (Southern Land Parcel)	Yubei District, Chongqing, China	320,702	Residential/ Hotel	100.00%	2023
Chongqing Central Jade Cloud Project	Yubei District, Chongqing, China	372,558	Residential	20.00%	2022
Ningbo					
Ningbo Haishu Jinmao Palace Project	Haishu District, Ningbo, Zhejiang Province, China	207,551	Residential/ Commercial	33.00%	2021
Ningbo Haiwan Jinmao Residence Project	Beilun District, Ningbo, Zhejiang Province, China	225,615	Residential	49.00%	2021
Ningbo Ningnan Jinmao Residence Project	Fenghua District, Ningbo, Zhejiang Province, China	101,331	Residential	49.00%	2021
Qingdao					
Qingdao Jimo • Jinmao Smart International City Project (First batch of land parcels)	Jimo District, Qingdao, Shandong Province, China	320,874	Residential/ Commercial	60.00%	2021
Land Parcel No. A14 + Foreign Investment Block, China-Europe International City Project, Qingdao	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	726,932	Complex	100.00%	2024
Qingdao West Coast • Innovation and Technology City Project (First batch of land parcels)	Huangdao District, Qingdao, Shandong Province, China	208,052	Residential/ Commercial	100.00%	2021
Qingdao Eden Project	High-Tech Industrial Development Zone, Qingdao, Shandong Province, China	93,076	Complex	41.67%	2024

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Qingdao Jimo • Jinmao Smart International City Project (Land Parcel No. 606A)	Jimo District, Qingdao, Shandong Province, China	4,283	Commercial	60.00%	2023
Hangzhou					
Hangzhou Dexin Jinmao Jiayuan Palace Project	Xiaoshan District, Hangzhou, Zhejiang Province, China	22,381	Residential	21.40%	2021
Hangzhou Fuchun Jinmao Xingwaitan	Fuyang District, Hangzhou, Zhejiang	944,532	Complex	60.00%	2025
Project Fuchun Land Parcel No. 28, Fuyang	Province, China Fuyang District, Hangzhou, Zhejiang	249,268	Residential	50.00%	2021
District, Hangzhou Hangzhou Yunhe ONE Project	Province, China Gongshu District, Hangzhou, Zhejiang	181,085	Residential	34.00%	2021
Hangzhou Jinmao Shoukai Guoyue Project	Province, China Gongshu District, Hangzhou, Zhejiang Province, China	114,627	Residential	50.00%	2021
Hefei					
Hefei Beiyanhu Yueyuan Project	High-Tech Industrial Development Zone, Hefei, Anhui Province, China	103,731	Residential	29.40%	2021
Hefei Dongcheng • Jinmao Residence Project	Feidong County, Hefei, Anhui Province, China	91,494	Residential	100.00%	2022
Xuzhou					
Xuzhou Chuhe Jinmao Palace Project	Tongshan District, Xuzhou, Jiangsu Province, China	61,586	Residential	100.00%	2021
Xuzhou Red Star • Yunlong Jinmao Residence Project	Yunlong District, Xuzhou, Jiangsu Province, China	367,648	Residential/ Commercial	40.00%	2022
Land Parcel AB, Third Ring Road West, Gulou District, Xuzhou	Gulou District, Xuzhou, Jiangsu Province, China	488,841	Residential/ Commercial	25.00%	2021
Xuzhou Yunlong Lake Jinmao Palace Project	Quanshan District, Xuzhou, Jiangsu Province, China	178,424	Residential	49.00%	2022
Kunming					
Kunming Jinmao International New City Project	Chenggong District, Kunming, Yunnan Province, China	757,293	Residential	66.00%	2023
Kunming Wujiaba • Jinmao Plaza Project	Guandu District, Kunming, Yunnan Province, China	109,539	Residential/ Commercial	30.00%	2021
Dongguan					
Dongguan Zhuoyue Jinmao Qianshuiwan Project	Zhongtang Town, Dongguan, Guangdong Province, China	141,620	Residential	40.00%	2021
Quanzhou					
Quanzhou Tan Residence Project	Taiwanese Investment Zone, Quanzhou, Fujian Province, China	479,125	Residential/ Commercial/ Office	50.00%	2022

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Changzhou					
Changzhou Chunqiu Jinmao Palace Project	Wujin District, Changzhou, Jiangsu Province, China	231,036	Residential/ Commercial	49.00%	2022
Changzhou Longcheng Jinmao Palace Project	Zhonglou District, Changzhou, Jiangsu Province, China	269,626	Residential/ Commercial	55.00%	2021
Nantong					
Nantong Chongchuan • Jinmao Palace Project	Chongchuan District, Nantong, Jiangsu Province, China	72,180	Residential	50.00%	2020
Zhuzhou					
Zhuzhou • Jinmao Residence Project	Shifeng District, Zhuzhou, Hunan Province, China	614,057	Residential	100.00%	2025
Kaifeng					
Land Parcel No. 39, Bianxi New Area, Kaifeng	Bianxi New Area, Kaifeng, Henan Province, China	185,505	Residential	49.00%	2022
Guiyang					
Guiyang Ninth Heaven	Baiyun District, Guiyang, Guizhou Province, China	244,773	Residential	49.90%	2023
Suzhou					
Suzhou Gusu • Jinmao Residence Project	Wuzhong District, Suzhou, Jiangsu Province, China	83,066	Residential	100.00%	2021
Suzhou Zhangjiagang Smart Science City Project	Zhangjiagang, Suzhou, Jiangsu Province, China	867,985	Complex	49% and 100% and 50% (Note 5)	2023
Wuxi					
Jiangyin Chengjiang • Jinmao Palace Project	Jiangyin, Wuxi, Jiangsu Province, China	139,419	Residential	76.00%	2022
Jiangyin Xiake Island Ecological City Project	Jiangyin, Wuxi, Jiangsu Province, China	387,816	Residential/ Commercial	49.00%	2022
Wuxi Lihu Jinmao Palace Project	Binhu District, Wuxi, Jiangsu Province, China	343,475	Residential/ Commercial	49.00%	2023
Land Parcel No. XDG-2014-31, Xibei District, Wuxi	Xishan District, Wuxi, Jiangsu Province, China	246,599	Residential	49.00%	2021
Land Parcel in Meicun, Xinwu District, Wuxi	Xinwu District, Wuxi, Jiangsu Province, China	137,894	Residential	20.00%	2021
Foshan					
Foshan Chao'an Jinmao Residence Project	Chancheng District, Foshan, Guangdong Province, China	269,586	Residential	100.00%	2024
Tianjin					
Tianjin 188 Long Zhou Road Project	Beichen District, Tianjin, China	183,763	Residential	16.50%	2021
Tianjin Yujiangtai Project	Hexi District, Tianjin, China	91,033	Residential	34.00%	2021

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Jinan					
Jinan High-Tech Industrial Development Zone Jinmao Noble Manor Project	High-Tech Industrial Development Zone, Jinan, Shandong Province, China	473,873	Residential	33.00%	2022
Jinan Jinmao Lushang Travelling Route • Jinmao Palace Project	Licheng District, Jinnan, Shandong Province, China	637,137	Residential	27.50%	2023
Wenzhou					
Wenzhou Jiushan Jinmao Palace Project	Lucheng District, Wenzhou, Zhejiang Province, China	141,020	Residential	100.00%	2022
Wenzhou Lucheng Jinmao Palace Project	Lucheng District, Wenzhou, Zhejiang Province, China	443,902	Residential	33.00%	2022
Wenzhou Rui'an • Jinmao Residence Project	Rui'an, Wenzhou, Zhejiang Province, China	298,758	Office Residential	51.00%	2022
Wenzhou Longwan Yaoxibei Project	Longwan District, Wenzhou, Zhejiang Province, China	514,287	Residential/ Commercial	16.50%	2022
Wuhan					
Wuhan Huafa Yangluo Jinmao Noble Manor Project	Xinzhou District, Wuhan, Hubei Province, China	474,908	Residential/ Hotel	50.00%	2024
Wuhan Jianfa • Jinmao – Royal Residence Project	Jiangxia District, Wuhan, Hubei Province, China	252,766	Residential	49.00%	2022
Wuhan Jinmao • Huafa • Wuhan International Community Project	Jiangxia District, Wuhan, Hubei Province, China	399,700	Residential	50.00%	2023
Land Parcel No. P(2018)001, Yangluo Street Wanshan Village, Xinzhou District, Wuhan	Xinzhou District, Wuhan, Hubei Province, China	408,656	Residential/ Commercial	100.00%	2024
Wuhan Yangluo • Jinmao Residence Project	Xinzhou District, Wuhan, Hubei Province, China	184,370	Residential	100.00%	2022
Nanchang					
Nanchang Jiulonghu • Jinmao Residence Project	Honggutan New District, Nanchang, Jiangxi Province, China	160,253	Residential/ Commercial	100.00%	2021
Nanchang Qingyunpu Land Parcel	Qingyunpu District, Nanchang, Jiangxi Province, China	170,254	Residential/ Commercial	18.00%	2021
Land Parcel No. DAK2018014, Wangcheng Town, Xinjian District, Nanchang	Xinjian District, Nanchang, Jiangxi Province, China	134,126	Residential	35.00%	2021
Zhangjiakou					
Land Parcel No. A-2, Ruanyin Science Park Residence, Xiahuayuan District, Zhangjiakou	Xiahuayuan District, Zhangjiakou, Hebei Province, China	122,009	Residential	31.00%	2023
Baoding					
Baoding Jingxiu Jinmao Residence Project	Jingxiu District, Baoding, Hebei Province, China	213,908	Residential	80.00%	2023
Jinhua					
Yiwu Futian Jinmao Palace Project	Yiwu City, Jinhua, Zhejiang Province, China	382,970	Residential	70.00%	2022

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Sanya					
Sanya Jinmao Harbour Project	Yazhou District, Sanya, Hainan Province, China	531,854	Residential/ Commercial/ Office	70.00%	2023
Shantou					
Land Parcel No. WG2019-4, Jinfeng Peninsula, Jinping District, Shantou	Jinping District, Shantou, Guangdong Province, China	572,558	Residential	50.00%	2023
Weihai					
Weihai Fengji • Jinmao Residence Project	Economic and Technological Development Zone, Weihai, Shandong Province, China	225,547	Residential/ Commercial	100.00%	2022
Weifang					
Weifang Taoyuan • Jinmao Residence Project	High-Tech Industrial Development Zone, Weifang, Shandong Province, China	592,217	Residential/ Commercial	100.00%	2026
Yueyang					
Yueyang Dongting • Jinmao Residence Project	Dongfeng Lake New District, Yueyang, Hunan Province, China	783,885	Residential	75.00%	2027
Zhuhai					
Zhuhai Huxin • Jinmao Residence Project	Doumen District, Zhuhai, Guangdong Province, China	457,331	Residential	70.00%	2024
Jiaxing					
Jiaxing Shanghai Window Smart Science City Project	Jiashan County, Jiaxing, Zhejiang Province, China	1,810,377	Primary	80.00%	2024
Xi'an					
Xi'an Weiyang Jinmao Palace Project	Weiyang District, Xi'an, Shaanxi Province, China	156,980	Residential	100.00%	2022

Projects Acquired Since 2020

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Beijing					
Beijing Dongsan Jinmao Palace Project	Fengtai District, Beijing, China	146,941	Residential	20.00%	2023
Beijing Xiyue Tianhuan Project	Fengtai District, Beijing, China	119,602	Residential	10.20%	2022
Beijing Yihe Jinmao Palace Project	Haidian District, Beijing, China	108,014	Residential	40.00%	2022

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Shanghai					
Shanghai Future City Project	Qingpu District, Shanghai, China	59,780	Residential	49.00%	2022
Shanghai Yinghongqiao Project	Qingpu District, Shanghai, China	180,218	Residential	40.00%	2022
Shanghai Changxing Island Phoenix Town Project	Chongming District, Shanghai, China	98,994	Residential	100.00%	2023
Shanghai Baoshan Education Project	Baoshan District, Shanghai, China	89,998	School	100.00%	2021
Shanghai Haiyue Jinmao Residence	Qingpu District, Shanghai, China	57,686	Residential	34.00%	2021
Guangzhou					
Guangzhou Cold Storage Plant Project	Liwan District, Guangzhou, Guangdong Province, China	114,947	Residential	25.00%	2023
Shenzhen					
Shenzhen Guangming Jinmao Plaza Project	Guangming New District, Shenzhen, Guangdong Province, China	53,950	Residential	100.00%	2023
Nanjing					
Nanjing Jiangbei New District G03 Project	Jiangbei New District, Nanjing, Jiangsu Province, China	83,221	Residential	61.40%	2023
Nanjing G81 Project	Jiangning District, Nanjing, Jiangsu Province, China	87,853	Residential/ Commercial	40.00%	2022
Ningbo					
Ningbo Lvcheng Jinmao • Chunlan Jingyuan Project	Yuyao, Ningbo, Zhejiang Province, China	177,028	Residential/ Commercial	20.00%	2022
Qingdao					
Qingdao Dayun Valley • Laoshan Jinmao Palace Project	Laoshan District, Qingdao, Shandong Province, China	388,791	Residential/ Commercial	60.00%	2023
Qingdao Dayun Valley Shibei Block	Shibei District, Qingdao, Shandong Province, China	564,756	Office Residential/ Commercial	60.00%	2024
Domestic Investment Block (Fourth batch of land parcels) in China-Europe International City Project, Qingdao	Prime Location, North Shore New Town, Qingdao, Shandong Province, China	592,117	Residential/ Commercial	100.00%	2023
Qingdao West Coast • Innovation and Technology City Project Land Parcel No.7-5-2	Huangdao District, Qingdao, Shandong Province, China	40,729	Commercial	100.00%	2022
Qingdao West Coast • Innovation and Technology City Project Land Parcel No.7-9	Huangdao District, Qingdao, Shandong Province, China	148,883	Residential	100.00%	2022
Qingdao West Coast • Innovation and Technology City Project Land Parcel No.7-20	Huangdao District, Qingdao, Shandong Province, China	124,958	Residential	100.00%	2023

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Kunming					
Kunming Luoshi Bay Project	Xishan District, Kunming, Yunnan Province, China	346,711	Residential	80.00%	2023
Nantong					
Nantong Longxin Jinmao │ Ruiyuan Project	Rugao, Nantong, Jiangsu Province, China	143,617	Residential	20.00%	2023
Taizhou					
Taizhou Jinmao • Zhongnan • Haizhou Shangcheng Project	Luqiao District, Taizhou, Zhejiang Province, China	188,255	Residential	51.00%	2022
Taizhou Linhai Linjiang Shangcheng Project	Linhai, Taizhou, Zhejiang Province, China	105,478	Residential	100.00%	2023
Guiyang					
Guiyang Guanshanhu International Community Project	Guangshanhu District, Guiyang, Guizhou Province, China	465,019	Residential	57.50%	2024
Suzhou					
Changshu Jinmao Smart Science City Project	Changshu, Suzhou, Jiangsu Province, China	922,079	Complex	54.10% and 100.00% (Note 6)	2024
Suzhou Science and Technology City Finance Town Project	High-Tech Industrial Development Zone, Suzhou, Jiangsu Province, China	361,305	Complex	24.50%	2022
Foshan					
Foshan Luocun Project	Nanhai District, Foshan, Guangdong Province, China	566,236	Residential	100.00%	2025
Foshan Nanhai Xiqiao Chongnan Project	Nanhai District, Foshan, Guangdong Province, China	76,732	Residential	100.00%	2023
Foshan Zhuoyue • Country Garden • Tianyue Bay Project	Shunde District, Foshan, Guangdong Province, China	198,840	Residential	33.00%	2024
Tianjin					
Tianjin Shangdong Jinmao Residence Project	Dongli District, Tianjin, China	126,752	Residential	100.00%	2023
Tianjin Shangdong Jinmao Smart Science City Project	Dongli District, Tianjin, China	84,263	Residential	100.00%	2022
Jinan					
Jinan Aoti Jinmao Palace Project	Lixia District, Jinan, Shandong Province, China	228,218	Residential	100.00%	2021
Fuzhou					
Fuzhou Binhai Jinmao Smart Science City Project (Second batch of land parcels)	Changle District, Fuzhou, Fujian Province, China	923,025	Complex	90.00%	2029
Fuzhou Binhai Jinmao Smart Science City Project (First batch of land parcels)	Changle District, Fuzhou Province, China, Fujian	943,203	Complex	74.50%	2027

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Wenzhou					
Wenzhou Lechen Palace Project	Leqing, Wenzhou, Zhejiang Province, China	63,519	Residential	100.00%	2023
Wenzhou Pingyang Gu'ao Tou Project Land Parcel No. 1, No. 3, No. 5, No. 6 and No. 7 (Note 7)	Pingyang County, Wenzhou, Zhejiang Province, China	834,475	Residential/ Office	100.00%	2025
Wenzhou Aojiang International New City Project	Pingyang County, Wenzhou, Zhejiang Province, China	1,042,368	Primary	80.00%	2023
Wuhan					
Wuhan Fangdao Smart Science City Project Land Parcel No. 11	Hanyang District, Wuhan, Hubei Province, China	955,165	Complex	100.00%	2026
Wuhan Fangdao Smart Science City Project Land Parcel No. 12	Hanyang District, Wuhan, Hubei Province, China	746,367	Complex	100.00%	2026
Wuhan Yangsigang Project	Hanyang District, Wuhan, Hubei Province, China	1,036,284	Residential	20.00%	2023
Zhengzhou					
Zhengzhou Jinmao Poly • Ruyi Palace Project	Zhengdong New District, Zhengzhou, Henan Province, China	123,901	Residential Primary	49.00%	2023
Zhengzhou Erqi District Mazhai New City Project	Erqi District, Zhengzhou, Henan Province, China	4,367,868	Residential	29.70%	2025
Zhengzhou Jingkai Shiguang Residence Project	Jingkai District, Zhengzhou, Henan Province, China	104,916	Commercial	49.00%	2022
Chengdu					
Chengdu City Investment Jinmao Mansion Project	Longquanyi District, Chengdu, Sichuan Province, China	81,187	Residential	51.00%	2022
Nanchang					
Nanchang Chennanli Project	Nanchang County, Nanchang, Jiangxi Province, China	201,288	Residential	100.00%	2022
Nanchang Gemdale Jinmao • Jiufeng Palace Project	Honggutan New District, Nanchang, Jiangxi Province, China	177,435	Residential	40.00%	2022
Nanchang Evian Uptown Project	Qingshan Lake District, Nanchang, Jiangxi Province, China	221,306	Residential	33.00%	2023
Nanchang Zhengrong Jinmao Gemdale Yunjing Project	Nanchang County, Nanchang, Jiangxi Province, China	175,717	Residential	33.00%	2022
Zhangjiakou					
Zhangjiakou Xiahuayuan Land Parcel K	Xiahuayuan District, Zhangjiakou, Hebei Province, China	158,996	Commercial	31.00%	2024
Land Parcel No. A-1-1, Ruanyin Science Park, Xiahuayuan District, Zhangjiakou	Xiahuayuan District, Zhangjiakou, Hebei Province, China	238,019	Residential	31.00%	2024

Name of Project	Location	Saleable/ leasable gross floor area	Type of Project	Equity attributable to the Group	Date of completion
		(square metres)			
Zhangjiakou					
Jinhua Jinmao Future Science City Project	Jindong District, Jinhua, Zhejiang Province, China	1,799,963	Complex	80.00%	2027
Xiamen					
Xiamen Land Parcel 2020XP18	Xiang'an District, Xiamen, Fujian Province, China	152,517	Residential	100.00%	2023
Jiaxing					
Land Parcel B2020-75 of Jiaxing Jiashan Shan Land Reserve	Jiashan County, Jiaxing, Zhejiang Province, China	215,749	Residential	100.00%	2023
Jiaxing Country Garden • Star Project	Jiashan County, Jiaxing, Zhejiang Province, China	88,093	Residential	40.00%	2022
Jiaxing • Guanghecheng Project	Jiashan County, Jiaxing, Zhejiang Province, China	88,610	Residential/ Commercial	30.00%	2022
Taiyuan					
Taiyuan Longcheng • Jinmao Palace	Xiaodian District, Taiyuan, Shanxi	415,174	Residential	35.00%	2023
Yantai					
Yantai Lu Shang Jinmao • Impression of Sea View Project	Laishan District, Yantai, Shandong Province, China	598,972	Residential/ Commercial	40.00%	2025
Yantai Happy Jinmao Residence Project	Zhifu District, Yantai, Shandong Province, China	119,105	Residential/ Commercial	58.00%	2023
Shijiazhuang					
Shijiazhuang Chang'an • Jinmao Residence Project	Chang'an District, Shijiazhuang, Hebei Province, China	156,474	Residential	50.00%	2023
Taizhou					
Taizhou Fengcheng Jinmao Mansion Project	Medical High-tech Zone, Taizhou, Jiangsu Province, China	579,767	Residential/ Commercial	45.00%	2023

Major Commercial Leasing and Retail Operation Projects

The major commercial leasing and retail operation projects that we are involved in as of December 31, 2020 is as follows:

Name of Project	Location	Gross Floor areas (square metres)	Type of Project	Equity attributable to the Group	Date of completion	Area held for commercial Leasing and retail Properties (square metres)
Beijing Chemsunny World Trade Centre	Xicheng District, Beijing, China	194,530	Office	100.00%	2006	110,760
Sinochem Tower	Xicheng District, Beijing, China	49,066	Office	100.00%	1995	49,066
Jin Mao Tower (including hotel)	Pudong New Area, Shanghai, China	292,475	Office	100.00%	1999	216,462
Nanjing Xuanwu Lake Jinmao Plaza Project Phase I (including hotel) (Note 1)	Gulou District, Nanjing, Jiangsu Province, China	225,846	Complex	47.83%	2011	139,806
Changsha Meixi Lake International R&D Centre	Xiangjiang New District, Changsha, Hunan Province, China	132,856	Office	80.00%	2017	14,963
Shanghai International Shipping Service Center Co., Ltd. (6#)	Hongkou District, Shanghai, China	5,558	Office	100.00%	2018	5,558
Lijiang J • Life	Old Town, Lijiang, Yunnan Province, China	21,893	Commercial	100.00%	2014	21,893
Commercial portion of Qingdao Jinmao Harbour	Shinan District, Qingdao Shandong Province, China,	61,142	Commercial	51.00%	2017	61,142
Jiayuan Plaza Hypermarket	High-Tech Industrial Development Zone, Ningbo, Zhejiang Province, China	25,480	Commercial	100.00%	2013	25,480
Changsha Jinmao Mall of Splendor	Yuelu District, Changsha, Hunan Province, China	141,723	Commercial	51.00%	2017	141,723
Shanghai International Shipping Service Center Co., Ltd. (16#)	Hongkou District, Shanghai, China	5,222	Commercial	100.00%	2013	5,222
Wangjing Lvchuang Center (望京綠創中心)	Chaoyang District, Beijing, China	10,931	Office	100.00%	2020	10,931
Total						803,066

Hotel Operation Projects

The major hotel operations projects that we are involved in as of December 31, 2020 is as follows:

Name of project	Location	Gross floor area (square metres)	Equity attributable to the Group	Date of completion	Number of guest rooms
Renaissance Beijing Wangfujing Hotel	Dongcheng District, Beijing, China	44,413	100.00%	1995	329
Grand Hyatt Shanghai (Note 2)	Pudong New Area, Shanghai, China	76,013	100.00%	1999	555
Hilton Sanya Yalong Bay Resort & Spa	Yalong Bay Resort, Sanya, Hainan Province, China	75,208	100.00%	2006	501
The Ritz-Carlton Sanya Yalong Bay	Yalong Bay Resort, Sanya, Hainan Province, China	83,772	100.00%	2008	450
The Westin Beijing Chaoyang	Chaoyang District, Beijing, China	77,945	100.00%	2008	550
JW Marriott Hotel Shenzhen	Futian District, Shenzhen, Guangdong Province, China	51,730	100.00%	2009	411
Westin Nanjing (Note 1)	Gulou District, Nanjing, Jiangsu Province, China	32,514	47.83%	2011	232
Hyatt Regency Chongming	Chongming District, Shanghai, China	48,992	100.00%	2014	235
Grand Hyatt Lijiang (Note 3)	Old Town, Lijiang,Yunnan Province, China	84,384	100.00%	2014	401
Meixi Lake Hotel, A Luxury Collection Hotel, Changsha	Yuelu District, Changsha, Hunan Province, China	62,220	100.00%	2017	304
Total		637,191			3,968

(Note 1) Nanjing Jinmao Place and Westin Nanjing are located in Nanjing Xuanwu Lake Jinmao Plaza.

(Note 2) Grand Hyatt Shanghai is located in Jin Mao Tower.

(Note 3) Grand Hyatt Lijiang is held as to 100% interest by the Group. Grand Hyatt Lijiang in the urban area is situated in Lijiang Jinmao Richmond Town Project; whereas the Mountain Lodge in the scenic area is situated in Ganhaizi, Jade Dragon Snow Mountain.

(Note 4) Shanghai Hongqiao • Jinmao Residence Project is developed on the land parcels 26-01 and 44-02 in Huaxin Town, Qingpu District, Shanghai. Currently, the Group holds 51% interest in land parcel 26-01 and 49% interest in land parcel 44-02.

(Note 5) Suzhou Zhangjiagang Smart Science City Project is developed on Suzhou Zhangjiagang land parcels Nos. 2012-A19-A/B, 2014-A02-A/B/C, 2012-A09 and 2014-A04. Currently, the Group holds 50% interest in land parcels Nos. 2012-A19-A/B, 100% interest in land parcels Nos. 2014-A02-A/B/C and 2014-A04 and 49% interest in land parcel No. 2012-A09.

(Note 6) Changshu Jinmao Smart Science City Project is developed on the land parcels Nos. 2020A-012/013/015/016 in Yumao Changshu, and the land parcel No. 2020A-014 in Pumao Changshu, respectively. Currently, the Group holds 54.1% interest in the land parcels Nos. 2020A-012/013/015/016 in Yumao Changshu, and 100% interest in the land parcel No. 2020A-014 in Pumao Changshu.

(Note 7) Wenzhou Pingyang Gu'ao Tou Project Land Parcels Nos. 1, 3, 5, 6 and 7 are located in Wenzhou Aojiang International New City Project.

History

We are the primary real estate platform of our ultimate parent company, Sinochem Group, a multi-industry SOE conglomerate with businesses in energy, agriculture, chemicals, real estate and financial services. Sinochem Group's involvement in real estate development dates back to the 1980s, when Sinochem Group commenced work on its first joint development projects in Shanghai, the Haiyi Villa and Haiyi Garden projects. The following sets forth certain important milestones in our corporate history, from the founding of our controlling shareholder Sinochem Corporation to our listing on the SEHK:

Year	Event
1950	• Sinochem Corporation was founded
1980s	• Sinochem participated in the development of China World Trade Center in Beijing
1989	• Sinochem Hong Kong was established
1990s	• Several landmark projects including China World Trade Center, Jin Mao Tower, Sinochem Tower and Taoyuan Office Building were completed
2003	• Sinochem Group (through one of its subsidiaries) commenced construction of the Shanghai Zhangyang Riverside Garden
	• Sinochem Corporation acquired the Wangfujing Grand Hotel
2004	• The Company was incorporated in Hong Kong
	• Construction commenced on Site B of the Shanghai Port International Cruise Terminal
2005	• Sinochem Group transferred its interest in the Company to Sinochem Hong Kong
	• Sinochem Corporation was approved by SASAC to engage in real estate businesses
	• Construction on Shanghai Fortune Plaza was completed
2006	• The Company acquired land use rights for the Zhuhai Every Garden project
	• Construction of the Shanghai Zhangyang Riverside Garden was completed
	• Construction of Beijing Chemsunny World Trade Center was completed
2007	• The Company (through its subsidiary Shanghai Huigang Real Estate Development Co. Ltd) acquired land use rights for the Huigang Development project
	• The Company entered into an acquisition agreement with Sinochem Corporation and Sinochem Hong Kong whereby the Company acquired 100% interests in Beijing Chemsunny Property Limited, Sinochem International Property Hotels & Management Co., Ltd., and Wangfujing Hotel Management Company Limited
	• The Company was listed on the SEHK
2009	• The Company acquired a 100% interest in Jin Mao Group from Sinochem
	• The Company acquired the central site of the Shanghai International Shipping Service Center Project
	• The Company acquired the western site of the Shanghai International Shipping Service Center Project from Sinochem

Year	Event
2010	• The Company issued US$600 million of Perpetual Subordinated Convertible Securities
2011	• The Company issued US$500 million of senior notes
2012	• The Company issued US$500 million of senior notes
	• The Company acquired projects such as the Changsha Meixi Lake International Jinmao Plaza, the Changsha Meixi Lake International R&D Center Project and the Suzhou Jinmen Road Project
2013	• The Company acquired two land parcels in Beijing (X85 & X88), the land parcel G11 of the Changsha Meixi Lake International Jinmao Plaza Project and the Nanjing Xuanwu Lake Jinmao Plaza Project
	• The Company issued US$200 million of senior notes
	• The Company issued US$300 million of senior notes
2014	• The Company acquired land parcels for the Hangzhou Huanglong Jinmao Residence Project, Shanghai Daning Jinmao Palace Project, Beijing Yizhuang Jinmao Nobel Manor Project, Guangzhou Zhujiang Jinmao Palace Project and Chongqing Jinmao International Ecological New City Project, and won the bid for the land parcel of Changsha Meixi Lake Land Parcel F-13 Project
	• Jinmao Investments and Jinmao (China) Investments Holdings Limited listed on the Main Board of the SEHK
	• The Company opened Hyatt Regency Chongming, Renaissance Beijing Wangfujing, Grand Hyatt Lijiang and Lijiang J-Life
	• The Company issued US$500 million of guaranteed notes
2015	• The name of the Company was officially changed to "China Jinmao Holdings Group Limited" and the stock short name was changed to "China Jinmao"
	• The Company and China Rail Construction jointly acquired the land parcel for Beijing Fengtai Shiliuzhuang Project; the Company and Country Garden jointly acquired two land parcels in Beijing Fengtai Science Park
	• The Company and China Rail Construction jointly acquired the land parcel for Beijing Fengtai Shiliuzhuang Project; the Company and Country Garden jointly acquired two land parcels in Beijing Fengtai Science Park
	• The Company completed a HK$4,400 million share placement in June 2015, introducing four strategic investors, namely, New China Life Insurance, GIC, Warburg Pincus and Mr. KWOK Ping Sheung, Walter
	• The Company opened Nanjing Jinmao Place
2016	• The Company and Power China Real Estate Group Ltd. jointly acquired two land parcels no. 20-7 and no. 20-8 in Pingliang Avenue, Southern Hexi, Nanjing
	• The Company established Beijing Jinmao Green Building Technology Co., Ltd.
	• The Company established JM Capital, a real estate investment platform with Australia's Macquarie Capital in December 2016

Year	Event
2017	• The Company entered into the Framework Agreement on Feature Town Development in Wenzhou Oujiangkou Industrial Cluster with Wenzhou Oujiangkou New District Management Committee
	• The Company and Wuhan New Port Group entered into a strategic cooperation agreement
	• The Company issued US$500 million guaranteed senior notes in February, the first batch of the first tranche of RMB2,500 million domestic unsecured medium-term notes in April, US$500 million subordinated guaranteed perpetual capital securities, US$300 million senior guaranteed perpetual capital securities in July, US$200 million senior guaranteed perpetual capital securities in September and US$300 million subordinated guaranteed perpetual capital securities in November
2018	• The Company entered into the Framework Agreement on Integrated Project Cooperation Development of Zhangjiagang New and High-Tech Zone Industrial City with the government of Zhangjiagang New and High-Tech Zone
	• The Company completed a HK$3.3 billion equity placement in January
	• The Company issued RMB1,250 million guaranteed senior notes in March
	• The Company issued RMB3,000 million unsecured medium-term notes in April
	• The Company issued RMB2,000 million unsecured perpetual medium-term notes in December
	• The Company issued US$300 million senior guaranteed perpetual capital securities in December
2019	• The Company entered into the Cooperation Agreement on China Jinmao Smart Science City with the Government of Dongli District, Tianjin City in January
	• The Company entered into the strategic cooperation agreement with the People's Government of Langfang, Hebei and China VAST Industrial Urban Development Company Limited (中國宏泰產業市鎮公司) in May
	• The Company issued US$250 million in aggregate principal amount of 2024 Notes in June, comprising (i) US$104,956,000 in aggregate principal amount of the 2024 Notes pursuant to an exchange offer to exchanging noteholders of the US$500,000,000 6.75% Guaranteed Senior Notes due 2021 issued by Franshion Development Limited (方興發展有限公司) and guaranteed by the Company, and (ii) US$145,044,000 in aggregate principal amount of the 2024 Notes pursuant to a concurrent new money issuance
	• The Company issued US$500 million 4.25% guaranteed senior notes due 2029 in July
	• The Company entered into a strategic cooperation agreement with the People's Government of Wuhu in October
	• The Company and the People's Government of Qingzhen, Guiyang entered into the Guiyang Crystal Smart New City Project in December
	• The Company and the People's Government of Hanyang, Wuhan entered into the Wuhan Fangdao Smart Science City Industrial Fair and signing ceremony of the industrial cooperation agreement in December
	• The Company issued US$400 million Subordinated Guaranteed Perpetual Capital Securities in December

Year		Event
2020	•	The Company completed equity placements in July and August, in the amount of HK$3,416 million and HK$1,992 million, respectively
	•	The Group issued RMB2,500 million unsecured medium-term notes in March and RMB2,500 million unsecured medium-term notes in July
2021	•	The Company issued US$500 million subordinated guaranteed perpetual capital securities in February

City Operations and Property Development Business

The Company's city operations and property development business have expanded from 20 cities in 2016 to 28 cities in 2017 and 40 cities in 2018 and 49 cities in 2019, and have further expanded to 51 cities in year ended on December 31, 2020. As of December 31, 2020, we were engaged in over 270 city operations and property development projects at different stages of development at sites located in Beijing, Shanghai, Suzhou, Hangzhou, Guangzhou, Changsha, Qingdao, Lijiang, Chongqing, Nanjing, Ningbo, Tianjin, Foshan, Shenzhen, Zhengzhou, Wuhan, Hefei and Wuxi, including 27 city operations projects.

The Company's contracted sales amount for the year ended December 31, 2018, 2019 and 2020 was RMB128.0 billion, RMB160.8 billion and RMB231.1 billion, respectively. During the year ended December 31, 2020, we recorded strong sales results from projects and we expanded our land reserves with successful acquisitions in the following areas (with the total contracted sales (as a percentage of overall total contracted sales) in the year ended December 31, 2020 indicated next to them): Beijing (11%), Shanghai (9.1%), Zhejiang (17%), Shandong (8%), Jiangsu (21.8%), Guangdong (9.9%), Tianjin (3%), Anhui (0.2%), Hubei (2.8%), Chongqing (1.3%), Henan (1.5%), Hunan (2.5%), Guizhou (0.6%), Fujian (2.4%), Jiangxi (4.3%), Yunnan (0.9%), Shanxi (0.8%) and Sichuan (2.7%). The regional distribution of contracted sales recorded for the year ended December 31, 2020 is as follows: 50% in Eastern China, 23% in Bohai Rim, 13% in Southern China, 9% in Central China and 5% in Western China.

With respect to land acquisition, for the year ended December 31, 2020, the Company successfully obtained a number of quality land parcels in various locations, including Yantai, Beijing, Qingdao, Nanchang, Wuhan, Shanghai, Taizhou, Jiaxing, Fuzhou, Guangzhou, Zhangjiakou, Suzhou, Wenzhou, Nanjing.

City Operations

The following description sets out certain information for some of our city operations projects:

Wuhan – Fangdao Jinmao Smart Science City. Wuhan Fangdao Jinmao Smart Science City Project, located in Sixin Ecological New City, Hanyang District, Wuhan, has a net land area of 945 mu (approximately 630,000 sq.m.). The land is for residential, commercial service, public management and public service use. Fully capitalising on the advantages of high-quality industrial resources and high-end amenities, the Group will focus on global industrial resources and shape a modern new city integrated support system based on the core values of regional ecology, culture and location, to build an "island of ecology, city of creativity and metropolitan of fashion" featuring lakefront wetland with cultural, leisure, tourism and residential functions, thus developing the project into China's first-class economic demonstration area for headquarters buildings, healthy and quality living and modern service clusters.

In March 2020, the Group successfully acquired the land parcels nos. P(2020)011 and P(2020)012 in Hanyang. In November 2020, the pre-sales of Lots A4 and A7 of Fangdao Jinmao Smart Science City Project commenced successfully, the sell through rate set a benchmark for Sixin area of Hanyang, and the pre-sales proceeds ranked Top 20 in the annual property sales of Wuhan.

Tianjin – Shangdong Jinmao Smart Science City. Tianjin Shangdong Jinmao Smart Science City Project is located in the core area at the east of the city centre in Tianjin. Relying on its TOD core business area and the green and leisure elements, the Group plans to build five functional zones, namely the TOD business, smart office, urban park, elite education and ecological residence, and intends to build a smart city complex, so as to meet the diversified consumer needs of the residents for everyday shopping, leisure and entertainment, and strive to build a new landmark of the leading one-stop shopping experience in Dongli District, Tianjin.

In April 2020, the Group successfully acquired the land parcel no. Jin Dong Li Yue (Gua) 2020-005 with above ground floor area of approximately 82,500 sq.m., Shangdong Jinmao Smart Science City was successfully launched first time in August 2020 with 90% sell through rate in the launch date.

Changshu – Jinmao Smart Science City. Changshu Jinmao Smart Science City Project, located in the core area of the new city in southern Changshu surrounding Kuncheng Lake, has a total site area of 6,495 mu (approximately 4.33 million sq.m.). The Group will gradually develop the project into an integrated smart science city comprising "smart innovation, modern business and high-end residence" by adhering to the philosophy of industrial city integration and phased implementation.

In May 2020, the Group and the government officially entered into an agreement on the co-development of the project, and successfully won the bid for the land parcels nos. Chang Shu Shi Gua [2020]14 2020A-012, 2020A-013, 2020A-014, 2020A-015 and 2020A-016 in July 2020. In December 2020, the Harvard BI Medical Innovation Center introduced by the project officially began operation.

Qingdao – Cloud Valley City Operations. Qingdao Cloud Valley City Operations (青島大雲谷城市運營) Project, located in the core urban area of Qingdao City, spans three districts namely Laoshan, Shibei and Licang (嶗山、市北、李滄), and is divided into three clusters according to their district affiliation. The project has a planning area of 1,779 mu (approximately 1.18 million sq.m.) consisting of three habitats: the east park area (東園區) positioned as an innovative ecological park concentrated with complete industrial chains; the west park area (西園區) positioned as a global innovation center for IoT; and the Xi Han Economic Development area (西韓經濟發展區) positioned as a demonstration site for integration of industries and cities. The Group intends to build a healthy, smart living and fashionable dynamic smart park according to the four planning concepts of industry-city integration, innovation benchmark, shared and interconnected and low-carbon ecology.

In September 2020, the Group and Haier ICI (海爾產城創) entered into a cooperation agreement. In September 2020, Laoshan Jinmao Palace (嶗山金茂府) in Cloud Vally (大雲谷) was successfully launched for sale.

Qingdao – West Coast Innovation and Technology City. Qingdao West Coast Innovation and Technology City Project, located in the Qingdao West Coast New District (青島西海岸新區) adjacent to the Qingdao High Speed Rail West Station, is the core transportation and business centre of the new district, with a total site area of approximately 6,000 mu (approximately 4 million sq.m.). Leveraging the core resources and industries of Sinochem Group, the Company has successfully introduced innovative high-end industries such as technology innovation, green intelligence, leisure and health as well as business services, integrating innovative industrial clusters with urban development to create a smart ecological technology new city with international influence.

On June 10, 2020, the Group successfully acquired the land parcels nos. HD2020-3096 and HD2020-3097 described in the Announcement Qing Huang Ziran Zi Gao Zi (青黃自然資告字) No. [2020]3096. On December 30, 2020, the Group successfully acquired the land parcel no. HD2020-3267 described in the Announcement Qing Huang Ziran Zi Gao Zi (青黃自然資告字) No. [2020]3264.

Danyang – Eye Glasses Fashion Town. Danyang Eye Glasses Fashion Town Project, located in front of the Danyang High Speed Rail Station between the Old Town and New Town of Danyang, has the dual functions of gateway and heart of the city. The project covers a total site area of 1,700 mu (approximately 1.13 million sq.m.). Featuring the optical glasses industry, the Group rapidly carries out industrial upgrade for Danyang, improves its functional supports, and realizes enhancement of the city's image, the optical glasses industry and the cultural tourism.

In September 2020, the Group entered into a project cooperation agreement with Danyang Municipal Government. In November 2020, the first-level of demolition and relocation was officially commenced and all tasks of work was carried out in an orderly manner as scheduled.

Wenzhou – Aojiang International New City. Wenzhou Aojiang International New City Project, located in block of Gu'ao Tou, Binjiang Centre, Aojiang, Pingyang, has a total site area of approximately 1,972 mu (equivalent to approximately 1.31 million sq.m.). The Group plans to develop the project into a "3+2" industrial system step by step from the aspects such as residence, culture, commercial office, landmark buildings and supporting facilities with "technology and innovation industries, financial service industry, cultural and creative industry" as the core, and "professional service industry, education and training industry" as the support, striving to forge the project to become a vibrant center of Pingyang with its advantages such as urban core location, excellent scenery resources, profound cultural heritage and business support.

In November 2020, the Group successfully won the bid for the first batch of land parcels for the project, including "land parcels nos. B-03-01, B-04-06 and B-04-09 in block No.1 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County", "land parcels nos. C-01-03, C-01-04 and C-03-01 in block No. 3 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County", "land parcels nos. B-08-02, C-05-03 and C-05-01 in block No. 7 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County", "land parcels nos. B-06-03, B-07-02 and C-03-02 in block No. 5 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County" and "land parcels nos. B-05-08 and B-05-09 in block No. 6 of Gu'ao Tou, Binjiang Centre, Aojiang Township, Pingyang County" within the areas of the project.

Jinhua – Jinmao Future Science City. Jinhua Jinmao Future Science City Project is located in the Dongmei area of Jinyi New District (Jindong District) in Jinhua adjacent to the Wuyi River, with a total site area of about 2,760 mu (about 1.84 million sq.m. in total). The project covers core segments including pilot projects for provincial future communities and digital innovation economic parks, with functions of smart living, featured commercial and business offices as well as industrial research and development at one stop to create a benchmark project of provincial future communities with perfect functions, rich business formats and smart operation to explore the potential values of the city, building Dongmei Area into a benchmark project leading the development of Jinyi Metropolitan Area.

In July 2020, the Group and Jindong District Government of Jinhua entered into a strategic cooperation framework agreement for Dongmei Area. In December 2020, the Group and Jindong New District Development and Construction Center of Jinhua entered into a cooperation and development agreement for the integration of industries and cities in Jinhua Dongmei Area.

Property Development

The following description sets out certain information for some of our property development projects:

Beijing Yihe Jinmao Palace Project. Beijing Yihe Jinmao Palace Project is located on the West Fourth Ring Road in Haidian District of Beijing adjacent to the Summer Palace. It is at the intersection of Beijing's three mountains and five parks, the Xishan villa area and the science and education centers in Haidian, falling in the traditional low- density villa area in Xishan of Haidian. As the new generation benchmark of the China Jinmao Palace series, Beijing Yihe Jinmao Palace features brand new Jinmao Palace

2.0 technology to create 12 major technology systems. It has also upgraded by introducing the ion cascade nanometer-level air filtration and the aerospace-grade particle of damping noise reduction art etc. to create the latest benchmark of technology-based living systems.

During the year ended December 31, 2020 when the project was launched for sale, it broke new records in terms of the value, speed and sales performance at the first launch in Beijing's high-end market, making it a phenomenal red-hot property of the year.

Jiashan • Guanghecheng Project. Jiashan • Guanghecheng Project is located at the intersection of Tingfeng Highway (亭楓公路) and Zhufeng Highway (朱楓公路) in Jiashan County, Zhejiang Province. Just one road next to Shanghai and adjacent to Fengjing Ancient Town in Shanghai, the project is a secondary development of Shanghai Window Smart Science City (上海之窗 • 智慧科學城). It consists of high-rises and commercial streets, enjoying the future facilities of Shanghai Window Smart Science City. To the north of the project, the Huili Public School, a top international private school, is already located.

During the year ended December 31, 2020, the project launched three times and achieved hot sales each time, and the units were sold out quickly upon launch, making Guanghecheng a phenomenal red-hot project in Jiashan.

Hangzhou Qinwang Palace Project. Hangzhou Qinwang Palace Project, falling in the "City Eye" segment of Qinwang, is the residential part of the Fuyang Qinwang City Complex (富陽秦望城市綜合體) built by the Group. The project enjoys all future planned facilities of the complex including a commercial complex, boutique residences, shopping centres and many other types of businesses.

During the year ended December 31, 2020, the project launched twice and a achieved hot sales each time. The car parking spaces of the buildings were sold out upon the first launch, leading a new era of human living in Fuyang.

Taizhou Jinmao • Zhongnan • Haizhou Shangcheng Project. Taizhou Jinmao • Zhongnan • Haizhou Shangcheng Project, located at the core area of Taizhou Luqiao near the Shanghai North Road Station of the Light Rail Line S1, is surrounded by International Convention and Exhibition Centre, Zhongsheng City Plaza, the Cultural and Sports Centre and the Digital City and other urban lifestyle amenities in one place. The project draws on leading contemporary architectural design concepts to create an open, interactive and vibrant community space, with the intention of creating a spacious and luxurious residence that will elevate the future of living in Taizhou to a new level and give residents a brand new living experience.

During the year ended December 31, 2020, the project launched twice and achieved hot sales each time, ranking first among properties in the same segment in terms of sales area and amount in the second half of the year.

Nanchang Gemdale Jinmao • Jiufeng Palace Project. Nanchang Gemdale Jinmao • Jiufeng Palace Project is a new generation of TOD international quality residential area built for the new middle class elite in Nanchang by the Group in 2020 in the core location in Jiulonghu within the provincial capital segment, with international advanced urban living concept as the core orientation. The project is located at the intersection of Shangrao Street (上饒大街) and Qingyuanshan Road, the main roads of the city, being surrounded by the TOD rail transportation hub created by Metro Line 2 and 4 and Nanchang High Speed Rail West Railway Station, thus enjoying a radiation of international commercial facilities such as the business circles in the West Railway Station and the Sunac Land (融創茂) with efficient and convenient prosperous life. The project is also planned to have a City Club to echo with external high-speed railway business circles to create a rare international pedestrian urban ecosphere in the region, meeting the consumption needs of the whole family for shopping, leisure, dining and entertainment.

During the year ended December 31, 2020, the project launched six times and sold out each time, making it the most red-hot property in Nanchang Jiulonghu.

Wuhan Jinmao • Huafa • Wuhan International Community Project. Wuhan Jinmao • Huafa • Wuhan International Community Project, located in the hot segment of military sports, enjoys the dual planning benefits of the military sports village and Huangjiahu metro town, Wuhan's first metro town. The Land plot is rich in property formats, covering different product forms such as high-rises, townhouses and commercial properties as well as supporting facilities for the elderly and medical care, aiming to build a future international community that meets the needs of the whole life cycle.

During the year ended December 31, 2020, the sell through rate achieved over 95% in the first launch when the model area was opened for visit for only two weeks, and six consecutive launches were made within six months, making it a hot-sell project in the area.

Sanya • Jinmao Harbour Project. Sanya • Jinmao Harbour Project is a customized work of the Group in the coastal area after its 15 years of deep cultivation in Sanya. The project is located in the CBD of Yazhou Bay Science and Technology City, the sub-center of Sanya city adjacent to Nanshan Cultural and Tourism Scenic Area, with convenient access to the world by land, sea and air, and is equipped with 200,000 sq.m. of sophisticated commercial properties, triple-A medical and health centers and duty-free shopping facilities.

During the year ended December 31, 2020, the project was sold out immediately upon its first launch, making it the first red-hot project in Sanya in one go.

Jiangyin Chengjiang Jinmao Palace Project. Jiangyin Chengjiang Jinmao Palace Project, located in the heart of Jiangyin City next to the Jiangyin Pedestrian Street, on Renmin Road, the former site of the Yangtze River Hotel and the Jiangyin No.1 Middle School. The project is not only located in an excellent location, but also the first BREEAM certified technology residential product in Jiangyin, creating an era of green and healthy living in Jiangyin.

During the year ended December 31, 2020, the project was launched for sale for the first time in December, and ranked among the top three in the city in terms of sales areas in the second half of December.

Xi'an Weiyang Jinmao Palace Project. Xi'an Weiyang Jinmao Palace Project, located on the eastern shore of Weiyang Lake, the first choice of high-end improvement area in Xi'an, is surrounded by the great ecological environment of "one lake, one river and two gardens" in the core of three districts. It is the first block of large flats in the main city area of Xi'an with pure townhouse technologies and ultra low plot ratio. The project inherits the essence of Jinmao's TOP series of luxury residences and follows the 12 major technological systems of Jinmao Palace to realize a living environment with comfortable temperature, humidity, cleanliness, oxygen and quietness. The project pays tribute to the spirit of the city with smart technologies, and updates the level of urban living with low-density lake residences.

During the year ended December 31, 2020, the project was launched six times and achieved hot sales each time. It has become the high-end benchmark for the entire Weiyang Lake area, ranking first in terms of average selling price and among the top five in terms of sales amount in the townhouse market in Xi'an main city area in 2020.

Xi'an Weiyang Jinmao Palace Project. Chongqing Bishan Jinmao Residence Project, a masterpiece with craftsmanship quality dedicated to Bishan, is located at the intersection of Daishan Avenue and Tieshan Road in Green Island New District, about 1.2 km away from the net-worthy Fengxiang Lake Children's Park where one can enjoy the 2,000 mu Binhu Theme Park. The project is easily accessible, about 500 m. away from the Yunba Jukin Avenue Station, so one can enjoy the city-wide facilities with the Yunba Line running north and south of Bishan and connecting Chongqing Railway Line No. 1 and Bishan High Speed Rail Station. The community is equipped with complete community facilities such as commercial shopping, nursery and old people's homes, community greengrocers and kindergartens, aiming to build the first high-end healthy smart community in Bishan with complete facilities for comfort of all ages.

During the year ended December 31, 2020, the initial sell through rate of the project reached 72%, ranking No.1 in sales volume for the same period in Bishan district, No. 5 in annual sales amount in the sales of residential units in Bishan district, and No.2 in sales amount in the new launch of projects in Bishan district in 2020, making it one of the most popular star red projects in Bishan district.

Guiyang Guanshanhu International Community Project. Guiyang Guanshanhu International Community Project is located in the Guanshanhu District, one of the twin cores for urban development. The project occupies the Shubo Avenue, a key project particularly built by the municipal government with three-dimensional traffics of double tracks, three horizontal and one vertical, which are within walking distance to Shubo Wanda and Jianghua Lixing, the two major commercial centers which will open up the main sites of future urban living. The project, endowed with two hills and one river, has introduced several famous schools, with 70,000 sq.m. of self-built high-end commercial facilities. the Group has built three major high-end products, namely high rises, landscape townhouses and duplex units, as the first independent masterpiece in Guiyang, so as to renew the city's ideal living with strength and craftmanship.

During the year ended December 31, 2020, the project was launched twice and achieved hot sales each time, with sell through rate of over 90%, making it a star project in the Guiyang market.

Taiyuan Longcheng • Jinmao Palace Project. Taiyuan Longcheng • Jinmao Palace Project, located on Longcheng Street on the outskirt of Taiyuan city, and is proudly situated in the center of three functional areas: the Central Business District, the Central Landscape Zone and the Central Park. The project is surrounded by six major traffic arteries, adjacent to the MRT Line 2 Longcheng Street Station under construction which is within just 800 meters walk. The project has observed the four seasons of Taiyuan, starting from the six vital elements of "sunlight, temperature, humidity, air, sound and water", and using the 12 major green and gold technologies that fit the characteristics of local environment to customize the five palaces with comfortable health technologies in Taiyuan with comfortable temperature, humidity, oxygen, cleanliness and quietness. Backed by 11 years of experience in building residential buildings, the Group has realized customized quality residence consensus of the top-tier urban population in Taiyuan, creating an ideal community form that deeply fits the needs of high-end circles.

During the year ended December 31, 2020, the project achieved great success in the first launch, winning three championships in terms of the sell through rate, the total amount and the number of units sold in the first launch for high-end residential properties in the Taiyuan property market.

Commercial Leasing and Retail Operations Business

Overview

We engage in the leasing of commercial properties, office buildings and retail premises (we call these properties our "**investment properties**"). As of December 31, 2020, our major investment properties for commercial leasing were the Beijing Chemsunny World Trade Center and Sinochem Tower in Beijing, the Jin Mao Tower in Shanghai, the Nanjing Xuanwu Lake Jin Mao Plaza Phase I in Nanjing and the Changsha Meixi Lake International R&D Center in Changsha. As of December 31, 2020, all five of these properties recorded full or nearly full occupancy rates.

As of December 31, 2020, our major investment properties for retail operations included Shanghai J • Life, Nanjing Jinmao Place, Changsha Jinmao Mall of Splendor and Qingdao Jinmao Harbor Shopping Mall. Our strategy is to retain properties with high investment values for rental income to provide steady cash flow.

Total revenue from the commercial leasing and retail operations business line decreased slightly from RMB1,449.8 million for the year ended December 31, 2018 to RMB1,446.8 million for the year ended December 31, 2019. Total revenue from the commercial leasing and retail operations business line increased by 1% from RMB1,446.8 million for the year ended December 31, 2019 to RMB1,461.4 million for the year ended December 31, 2020.

Investment properties – Office buildings

The following description sets out certain information for our major investment properties for commercial leasing:

Beijing Chemsunny World Trade Center. This property consists of three parallel and interconnected 14-story office buildings, with a total GFA of 194,530 sq.m. Construction commenced in April 2004, and the principal exterior construction was completed in December 2006. The Central and West Towers and some floors in the East Tower of Beijing Chemsunny World Trade Center are long-term investments and are held for lease, and the majority of floors in the East Tower have been sold.

We hold a 100% interest in the retained portions of the project. As of December 31, 2020, the occupancy rate of the Beijing Chemsunny World Trade Center was 100%. The primary tenants of this property are Sinochem Group and its affiliates, and leading companies in other industries, including finance and consulting.

Sinochem Tower. The 26-story Sinochem Tower in Beijing has a total GFA of 49,066 sq.m. We hold a 100% interest in the property. As of December 31, 2020, the occupancy rate of the Sinochem Tower was 96.1%. The principal tenants are prominent enterprises in the finance, software, and consulting industries and companies related to Sinochem Group.

Jin Mao Tower. The Jin Mao Tower in Shanghai is one of China's landmark buildings. The 88-story tower has a total GFA of 292,475 sq.m. and houses both office space and the luxury Grand Hyatt Shanghai Hotel. We own a 66.77% interest in this property.

The third through 50th floors consist of Grade A offices, and the leasable office area has an aggregate GFA of 122,131 sq.m., whereas the 53rd to 87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. As of December 31, 2020, the occupancy rate of the offices in Jin Mao Tower was 93.4%.

The primary tenants are Fortune 500 companies, Forbes 2000 companies and companies related to Sinochem Group. The Jin Mao Tower has won various industry awards, including being granted two major awards, namely, the "Best Business Efficiency" and "Top 10 Fashion Landmark" at the First China Office Building Summit in June 2011, and was named the "No. 1 Model Commercial Auxiliary Building in the Lujiazui Financial Center" by the government of Shanghai's Pudong New District.

Nanjing Xuanwu Lake Jinmao Plaza – office portion. Situated in Gulou District, Nanjing, this project occupies a site area of 37,920 sq.m. and an estimated total GFA of 453,146 sq.m. It is one of the Top Ten New Landmark Complexes in China. We acquired the project in February 2013. The project consists of one high-rise Main Tower, North Tower, South Tower, as well as an eight-story podium. We developed the project in two phases. Construction of Phase I was completed and operation commenced in March 2011.

The leasing business of Nanjing International Center includes offices in the South Tower of Phase I and a shopping mall in the podium of Phase I. The offices have a total rentable area of 14,012 sq.m. As of December 31, 2020, the occupancy rate for the office portion of Phase I was 93.2%. The shopping mall has a total GFA of 86,009 sq.m. and commenced operations in July 2011. The Company holds a 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing Xuanwu Lake Jinmao Plaza Phases I and II.

Changsha Meixi Lake International R&D Center. Located in Dahexi Pilot Zone, Changsha, this project is positioned as a villa-type R&D office building and high-rise office building project with a site area of approximately 46,353 sq.m. and an estimated total GFA of approximately 132,856 sq.m. We acquired the project in October 2012 and hold a 80% interest in the project.

Phase I consists of a villa-type R&D office building, with leasing and sales completed in 2013. Phase II consists of a high-rise office building, with leasing and sales completed in 2016. As of December 31, 2020, the occupancy rate of the Changsha Meixi Lake International R&D Center was 100%.

Investment properties – Retail premises

The following description sets out certain information for our major investment properties for retail operations:

Lijiang J-Life. Located inside the complex of Lijiang Jinmao Whisper of Jade Dragon Project, this is a high-end tourist resort and commercial flagship project, with a GFA of approximately 21,893 sq.m. Lijiang J-Life aims to offer a high-quality, rich experience and one-stop ancillary living services for domestic and overseas tourists to create a comprehensive resort experience. Phase I of the retail portion officially launched on December 28, 2014, and houses international cuisines and high-end retail shopping. We hold a 100% interest in the property.

Shanghai J-Life. The Shanghai J-Life is located in the podium building of Jin Mao Tower. The Shanghai J-Life houses many flagship stores of many brands in the retail sector, private nursing services, financial services, retailing services and Chinese and western catering services.

Nanjing Jin Mao Place. The Nanjing Jin Mao Place is situated on the first to eighth floors of the Podium in Phase 1 of the Nanjing Xuanwu Lake Jin Mao Plaza and is adjacent to the Xuanwu Lake subway station in Nanjing. In 2014, Nanjing Jin Mao Place commenced renovation and revamp for full-scale upgrade and capacity expansion.

In September of 2015, Nanjing Jinmao Place, as the first city-level shopping mall of the Company, held its grand opening, successfully introduced renowned brands including Apple as a tenant and achieved an occupancy rate of over 95% upon opening. The project offers high-end retail establishments, high-end services, international cuisine and family entertainment.

Qingdao Jinmao Harbor Shopping Mall. The Qingdao Jinmao Harbor Shopping Mall is located at the harborfront of Jiaozhou, south of Qingdao opposite to Huangdao Development Zone and Hongdao High-tech Industrial Development Zone across the sea. The property is a seafront shopping mall integrated with shopping, catering, entertainment and healthcare services and opened in June 2017.

Changsha Jinmao Mall of Splendor. The Changsha Jinmao Mall of Splendor is located inside Chinasha Meixi Lake International New City and offers a myriad of services, including shopping, recreation, catering, entertainment, a Kids Planet and a sports center, Jinmao Sports. The mall officially opened in 2017 and is the first self-operated waterfront commercial complex with global leading concepts under the commercial segment of our Company.

Hotel Operations Business

Overview of our hotel operations business

We engage in hotel operations and are committed to investing in and operating high-end hotels located in major cities and near popular vacation destinations in China. As of December 31, 2020, we owned ten hotels in China, located in Beijing, Shanghai, Sanya (Hainan Province), Shenzhen (Guangdong Province), Lijiang (Yunnan Province), Nanjing (Jiangsu Province) and Changsha (Hunan Province). Our hotel properties are managed by international hotel management companies.

Total revenue from our hotel operations segment decreased by 4.0% from RMB2,047.9 million in 2018 to RMB1,967.1 million in 2019, primarily attributable to the decreased market demand for some of the traditional resort hotels. Total revenue from our hotel operations segment decreased by 36% from RMB1,967.1 million in the year ended December 31, 2019 to RMB1,257.8 million in the year ended December 31, 2020, primarily due to the impact of COVID-19 on tourism and hospitality industry. In April 2020, Jinmao (China) Hotel Investments and Management Limited was titled the “15th China Hotel Starlight Awards – Best Hotel Owner in China” at the 2020 Asia Hotel Forum and Travel Annual Meeting cum the 15th China Hotel Starlight Awards.

Hotel properties

Westin Beijing, Chaoyang. The Westin Beijing, Chaoyang hotel opened in June 2008. The 34-story hotel has 550 guest rooms. The hotel is operated and managed by Starwood Hotels & Resorts Management Company and has a total GFA of approximately 77,945 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
Westin Beijing Chaoyang			
Average occupancy rate	82.4%	85.0%	33.0%
Average room rate (RMB)	1,218	1,123	936

Renaissance Beijing Wangfujing. We carried out a full-scale revamp of the hotel and commenced operation upon completion of refurbishment on August 29, 2014. The 14-story hotel has 329 guest rooms as well as a number of conference rooms, dining and wine outlets and other facilities. The hotel is operated and managed by Marriott Hotel International and has a total GFA of approximately 44,413 sq.m. We hold a 66.77% interest in the hotel.

	As of December 31,		
	2018	**2019**	**2020**
Renaissance Beijing Wangfujing			
Average occupancy rate	88.6%	87.6%	41.0%
Average room rate (RMB)	968	1,081	914

Grand Hyatt Shanghai. The Grand Hyatt Shanghai opened in 1999. The 35-story hotel occupies the 53rd to 87th floors of the Jin Mao Tower and has 555 guest rooms. The hotel is operated and managed by Global Hyatt Corporation and has a total GFA of 76,013 sq.m. We own a 66.77% interest in this hotel. Since opening, the Grand Hyatt Shanghai has hosted, among others, the Fortune Global Forum, the APEC Conference, the Asian Bankers' Annual Conference, Forbes' Global CEO Conference and Shanghai Expo.

	As of December 31,		
	2018	**2019**	**2020**
Grand Hyatt Shanghai			
Average occupancy rate	89.4%	89.1%	52.5%
Average room rate (RMB)	1,441	1,391	1,114

Hilton Sanya Yalong Bay Resort & Spa. Hilton Sanya Yalong Bay Resort & Spa opened in 2006 with 501 guest rooms, suites and villas situated at the enchanting Yalong Bay. The property has a total GFA of 75,208 sq.m. and 400 meters of beachfront. We own a 66.77% interest in this hotel. The hotel is operated and managed by Hilton International Corporation.

	As of December 31,		
	2018	**2019**	**2020**
Hilton Sanya Yalong Bay Resort & Spa			
Average occupancy rate	89.6%	86.1%	66.9%
Average room rate (RMB)	1,108	982	1,127

The Ritz-Carlton Sanya Yalong Bay. The Ritz-Carlton Sanya Yalong Bay opened in April 2008 and has 450 guest rooms including luxury suites and villas with private housekeepers and independent swimming pools. The hotel is operated and managed by the Ritz-Carlton Hotel Company and has a total GFA of 83,772 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
The Ritz-Carlton Sanya Yalong Bay			
Average occupancy rate	62.4%	68.4%	52.5%
Average room rate (RMB)	2,146	1,748	1,973

JW Marriott Hotel Shenzhen. The JW Marriott Hotel Shenzhen opened in March 2009 and has 411 guest rooms, a banquet hall for 400 people and five conference rooms equipped with advanced audio-visual technology. The hotel is operated and managed by Marriott Hotel International and has a total GFA of 51,730 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
JW Marriott Hotel Shenzhen			
Average occupancy rate	84.7%	87.9%	48.6%
Average room rate (RMB)	1,096	1,050	872

Westin Nanjing. The Westin Nanjing opened in 2011. In February 2013, we successfully acquired the Nanjing Xuanwu Lake Jinmao Plaza project, hence adding Westin Nanjing to our portfolio. The hotel occupies a total of 13 floors with 232 guest rooms, each overlooking Xuanwu Lake and Purple Mountain. The hotel is operated and managed by Starwood Hotels & Resorts Worldwide and has a total GFA of 32,514 sq.m. We have a 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, owns Nanjing Xuanwu Lake Jinmao Plaza Phases I and II.

	As of December 31,		
	2018	**2019**	**2020**
Westin Nanjing			
Average occupancy rate	76.2%	80.1%	53.0%
Average room rate (RMB)	745	763	689

Hyatt Regency Chongming. Hyatt Regency Chongming opened in March 2014 and has 235 guest rooms, restaurants, business meeting rooms, entertainment and sports gym. The hotel is operated and managed by Starwood Hotels & Resort Management Company and has a total GFA of approximately 48,992 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
Hyatt Regency Chongming			
Average occupancy rate	54.2%	48.2%	61.9%
Average room rate (RMB)	724	704	670

Jinmao Purelax Mountain Hotel, Lijiang (formerly known as Grand Hyatt Lijiang). Jinmao Purelax Mountain Hotel, Lijiang, which was opened in March 2018 and has 401 guest rooms, is situated in Ganhaizi, Jade Dragon Snow Mountain. In 2018, the Company changed the business model of Jinmao Purelax Mountain Hotel, Lijiang from entrusted management to franchised operation. The hotel has a total GFA of approximately 84,384 sq.m. We own a 66.77% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
Jinmao Purelax Mountain Hotel, Lijiang			
Average occupancy rate	48.4%	55.8%	49.8%
Average room rate (RMB)	723	712	801

Meixi Lake Hotel, A Luxury Collection Hotel, Changsha. Meixi Lake Hotel, A Luxury Collection Hotel, Changsha opened in May 2017 and has 304 guest rooms. The hotel has a total GFA of approximately 62,220 sq.m. We own a 100% interest in this hotel.

	As of December 31,		
	2018	**2019**	**2020**
Meixi Lake Hotel, A Luxury Collection Hotel, Changsha			
Average occupancy rate	55.2%	65.4%	53.3%
Average room rate (RMB)	744	736	755

We provide property management services to our customers through our property management subsidiaries, including providing services for Sinochem Tower, Beijing Chemsunny World Trade Center and Jin Mao Tower. During 2014, we fully implemented the "green gold" value and provided advanced green property management services.

The observation deck on the 88th floor of Jin Mao Tower is a popular tourist attraction in Shanghai. The observation deck drew thousands of visitors annually.

We are also engaged in ancillary businesses such as building decoration, automobile rental services, international yacht services and advertising. We provide these services to our customers and also use these services to complement our core property development, management and leasing businesses.

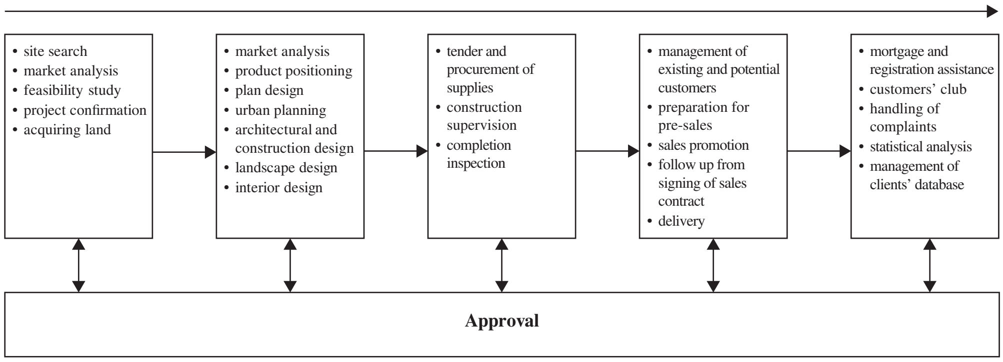
Revenue from our "others" business line (primarily including property management, building decoration and green building) increased by 34% from RMB2,220.6 million for the year ended December 31, 2019 to RMB2,968.2 million for the year ended December 31, 2020.

Property Development

Overview of property development process

In developing a project, we follow a systematic process of planning and execution while maintaining a high degree of flexibility in order to accommodate new developments in the fast-evolving business and regulatory environment of China's property market. As each project development is unique and is designed to cater to the preferences of specific target customers and markets, the details of this systematic process of planning and execution vary from project to project. Typically, our systematic process of planning and execution involves the steps set forth in the diagram below:

Sales planning, quality and cost control



Land acquisition

Site selection is one of the most important and fundamental steps in the property development process. We place a strong emphasis on the site selection process and consider it fundamental to the success of our property developments. An experienced team is responsible for identifying sites for prospective property development.

We typically consider the following general factors, among others, when deciding whether to pursue a site at a particular time:

- the size and population of the city in which the site is located;
- the prevailing macroeconomic conditions of the city in which the site is located, including to what extent large international and domestic companies are present and their need for high-end properties in such city;
- the degree to which the proposed development fits in with our product profile and growth strategies, as well as the macro development plans of the local government;
- the site's proximity to the central business district, other central commercial locations, tourist attractions and popular vacation spots;
- the site's surrounding environment and facilities, including proximity to transportation;
- infrastructure, parks, lakes, rivers, greenery, schools, universities and commercial facilities;
- existing historically significant buildings or architectural details that can be preserved and incorporated into the project development;
- the projected cash flow arrangement, costs, pricing and return on investment in respect of the project;

- projected terms of potential leases, including projections for potential rent increases; and
- the overall level of competition in the market.

Our interest in land consists of land use rights, under which entities may hold rights for investment or development purposes or may transfer their interests to other parties. Individuals and entities may acquire land use rights in a variety of ways, the two most common being land grants from local land authorities and land transfers from land users who possess existing land use rights.

We actively seek to acquire land use rights to increase the size of our land bank. We use and plan to use a variety of channels to acquire land interests, including the following:

- acquiring from local governments through public tenders, auctions and listings-for-sale;
- purchasing from existing non-governmental land-interest holders pursuant to land transfer agreements; and
- acquiring companies that hold existing land use rights.

Once we have obtained land use rights for a parcel of land, we begin applying for the certificates, permits and licenses required for construction and sale of our properties.

As of the date of the offering circular, we have obtained land use rights certificates, permits and licenses required for our existing properties under development, taking into account their respective stages of development at such date.

Resettlement of original residents

If the land to be developed includes pre-existing occupied buildings, we must compensate and relocate original residents before any demolition work and site clearance work can be carried out.

Project financing

Our financing methods may vary from project to project. Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on August 30, 2004, a property developer applying for property development loans must have, as its own working capital, at least 35% of the capital required for the development of the project. We are therefore required to fund at least 35% of our property developments with internal resources.

On June 5, 2003, the PBOC published the Notice on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加強房地產信貸業務管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land grant fees. As a result, we may use only our own funds to pay for land grant fees. The Opinion on Adjusting the Housing Supply Structures and Stabilizing House Prices (關於調整住房供應結構穩定住房價格的意見), which was promulgated by the State Council on May 24, 2006, further regulates credit requirements applicable to property development activities to deter property developers from using bank loans to accumulate land.

Pursuant to these regulations, commercial banks in the PRC may not provide loans to property developers failing to meet certain loan conditions, such as the 35% capital requirement mentioned above and the requirement that land use certificates be obtained. In May 2009, the State Council issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects (國務院關於調整固定資產投資項目資本金比例的通知), which lowered the minimum capital ratio from 35% to 20% for affordable residential projects and ordinary residential property projects and 30% for other property projects. The minimum capital ratio for the property projects other than the affordable residential projects and ordinary residential property projects was further lowered to 25% in accordance with the Notice on Adjusting and Improving the System of Registered Capital in Fixed Asset Investment Projects (國務院關於調整和完善固定資產投資項目資本金制度的通知) which was issued by the State Council in September of 2015.

We typically use two main sources of finance for our projects: internal financial reserves (including proceeds of pre-sales) and loans. Bank loans have traditionally been the primary sources of funding for our property developments. We also issued notes in Capital Market Transactions.

As of December 31, 2020, our outstanding bank loan and other borrowings has increased to RMB97,578.3 million from RMB96,571.7 million as of December 31, 2019. Our Articles of Association do not limit the amount or percentage of indebtedness that we may incur.

Project design and design work

Project design is a critical step of the project development process. Once a site is selected, we typically meet with local government officials to discuss our site development plans. We cooperate closely with government authorities in the urban planning process and aim to harmonize our projects with the existing social and economic framework planned by government authorities. We occasionally develop our projects in partnership with local developers that are considered to be leading players in the real estate development sector.

Our in-house planning and design team cooperates closely with our project managers and contracted designers and engineers on the overall planning of each development project as well as the architectural, landscape and interior design of each project. Members of our senior management actively participate in each stage of the development process, particularly in the overall planning and architectural design of each project.

We search globally for reputable and professional architectural and interior design firms to plan the architectural, landscape and interior designs of our projects in accordance with our specifications. We use a competitive bidding process in selecting these architectural and interior design firms and make our selection based on their proposed designs, their reputation for reliability and quality as well as their bidding price.

The project team appointed for a particular project regularly monitors the progress and work quality of the appointed design firms to help ensure that such firms are meeting our specifications. Upon completion of our projects that are built for our property leasing business segment, we also render fit-out services for our tenants for such properties.

We consider the following factors in assessing a proposed design:

- the specifications of the site area;

- advice provided by external advisers, including architects, construction engineers, quantity surveyors and sales and marketing experts; and

- our own internal assessment of the type of development most suitable for the site.

Our projects have been awarded a number of design awards. For example, the Beijing Chemsunny World Trade Center project was awarded the “2003 China Architectural Art Award” by the China Art Academy and was also awarded the “Award for Landmark Architectural Design in China” by the China Real Estate Association. Our award-winning architectural designs are partially a result of our collaboration on projects with highly distinguished international and domestic architectural and interior design firms.

For example, in developing the Beijing Chemsunny World Trade Center, we engaged the US-based firm of Skidmore, Owings & Merrill LLP, an internationally-renowned firm that has designed some of the most recognisable structures in the world, including the Willis Tower in Chicago (formerly the Sears Tower) and the Burj Khalifa in Dubai (currently the tallest building in the world).

Project construction and management

We develop and manage our projects through our subsidiary project companies. We typically appoint a project manager from our internal staff to oversee the overall development and management of each project.

We engage independent contractors through a competitive bidding process to provide construction, building and property fit-out services and landscaping for each of our development projects. We have established procedures to select construction contractors that meet our standards for quality and craftsmanship. Typically, the selection is conducted through public tender or invitation for bid and involves the following steps:

- an assessment committee is established 72 hours before a bid is opened;
- the assessment committee evaluates the key terms of the respective bidding proposals, including bid price and the estimated duration of construction, among other things;
- after initially examining the bidders' respective bidding documents, we short-list the bidders; and
- on-site inspections are then organised to clarify and supplement the short-listed bidders' respective bidding documents.

Competitive bids are awarded on the basis of professional qualifications, reputation for quality, past performance and cooperation and the contractors' financial situation and resources. Members of our senior management also actively participate in the bid assessment and selection process.

Our construction and decoration contractors are required to obtain relevant licenses from Ministry of Housing and Urban-Rural Development of the PRC. The contractors we currently employ for our projects possess the necessary licenses and are all independent third parties as of the date of this offering circular.

Quality control

We place a strong emphasis on quality control to ensure that we provide high-quality products and services to our customers. We have implemented strict quality control procedures to help ensure that our project companies and independent contractors achieve our quality control standards.

We appoint reputable construction companies, construction supervisory companies and quality control consultants through a competitive bidding process that vets, among other things, a bidding company's quality control record. These companies and consultants are independent third parties. We believe quality control is crucial to our reputation and successful development and, as such, regularly inspect our projects for quality control issues by internal professionals and various external independent experts, such as third-party consultants and construction supervisory companies.

Our contracts with construction companies typically contain warranties for quality. The breach of a term implies that the relevant contractor or supplier is obligated to pay compensation, and the contract provides an extra incentive to ensure the quality standards are achieved.

To further enhance quality control, the contract typically states that we retain 3%-10% of the total contract fee for one year after the project is completed. In the past, we have not had any major disputes with any of our contractors and suppliers over quality control issues, demonstrating what we believe to be our strong competence in selecting independent contractors committed to embrace quality standard.

We typically engage third-party quality consultants and construction supervisory companies to monitor and assess the performance of other independent contractors to ensure independent contractors execute our specified requirements and appropriate remedial or punitive measures are taken when those specified requirements are not met.

Our quality assurance department also performs regular quality audits on each project site and reports irregularities or poor workmanship to the general manager of the project management division and to the individual project managers responsible for the projects. Should quality issues be identified, the relevant project teams are required to rectify the problem immediately.

The general manager and the project managers inspect the projects regularly to help ensure their compliance with the required quality standards. Our project management divisions also conduct site inspections to supervise the quality and progress of construction. Each of the projects is also subject to periodic monitoring by a supervisory consultant appointed by the government, as required by applicable PRC regulations.

We believe that we have developed a strong track record of quality control in developing our projects. Our property developments have won a number of awards for excellence in construction quality, demonstrating our close attention to detail and commitment to excellence.

Sales and marketing

Sales and marketing team. We have a team of sales and marketing experts, consisting of both our employees and external agencies at our project locations throughout China, that are responsible for branding, positioning, marketing and sales of our products. Our sales and planning employees receive regular training from the Company. The sales and planning staff cooperate closely with each other in order to determine appropriate advertising and sales strategies and plans for a particular property, as well as implement on-site sales procedures.

An important part of our sales and marketing process is to accurately position a property in the market segment before the start of construction. This process includes defining each project's target customers as well as setting strategies that maximize returns from sales. During the construction stage, our sales and marketing staff also develop advertising plans as well as sales or rental plans, as applicable.

Advertising. We use various advertising media, including newspapers, magazines, television, radio, direct mail, e-marketing and outdoor billboards. We also participate in real estate exhibitions to enhance our brand awareness and promote our products. The percentage of advertising budget to total sales cost depends on the size of the particular project and whether external sales and marketing agencies are appointed.

Typically, advertising costs constitute between 20% and 40% of total sales and marketing costs. We monitor and control sales and marketing expenses in several ways, including selecting external sales and marketing agencies through a competitive bidding process to reduce costs, or, alternatively, executing promotion and sales plans through our experienced local sales team in which case sales costs are reduced significantly.

We also set up an on-site show room where project information and the project model are displayed. We also seek to set up off-site promotional centers in city centers for use in the event that an on-site show room is still under construction.

Pre-marketing. We often pre-market our products by consulting with potential tenants and buyers well in advance of the design and construction phases of developments in order to provide customised products to meet particular demand where the Company will make higher margins.

External Sales and Marketing Agencies. We occasionally select external sales and marketing agencies and do so through a competitive bidding process. We typically consider the candidate company's qualifications and reputation, past performance and market share, project proposal, allocation of available resources and the qualifications and experience of its professional staff.

These criteria are reviewed by internally appointed assessment experts for each public tender. Once engaged, the external representatives act as our agents for sales and rentals of specific designated projects. Fees payable to external sales and marketing agencies are usually negotiated on the basis of the prevailing market rates and settled in a variety of ways that conform to market practice and are determined per contract negotiations.

Pre-Sales. We typically conduct pre-sales of our properties prior to the completion of a project or a phase of the project, subject to satisfaction of certain requirements set forth in laws and regulations governing the pre-sale of properties. Under the *Law of the Administration of Urban Property of the PRC* (中華人民共和國城市房地產管理法), as amended in 2007, 2009 and 2019, and the *Administrative Measures Governing the Pre-sale of Urban Property* (城市商品房預售管理辦法), as amended in 2001 and 2004, respectively, we must meet the following conditions prior to commencing pre-sales of a given property:

- the land grant fee has been fully paid and the relevant land use right certificates have been obtained;
- the relevant permits required for the planning and construction of the property have been obtained;
- the funds contributed to the development of the project must reach 25% or above of the total amount to be invested in the project;
- the expected completion date and delivery date of the construction work have been ascertained; and
- the pre-sale permits must have been obtained from the relevant local government authorities.

In addition to the above conditions, various local regulations in each of our target cities stipulate further conditions that must be met before obtaining the pre-sale permits.

Pursuant to the Notice on Relevant Matters for Further Strengthening the Supervision of Real Estate Market and Improving the Pre-sale System of Commodity House (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) promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China in April 2010, before obtaining the pre-sale permits, we are not allowed to receive, in any manner, any deposit, prepayment or any other payment from buyers by subscription, booking, queueing or issuance of a VIP card, nor are we allowed to attend any sales exhibition activities. For those which have obtained the pre-sale permits, real estate development enterprises shall carry out one-time publications of the sources of all houses permitted to sell and the price of each house within ten days, and sell the houses strictly at the prices reported and posted.

Customers

Purchasers of our commercial projects primarily consist of SOEs, including other property investors and companies engaged in various industries. Purchasers of our residential units are generally individuals purchasing residential units for their personal dwelling or for investment purposes.

Tenants of our commercial properties primarily include SOEs, but also include major multi-national corporations. Notable tenants include Sinochem Group, Agricultural Bank of China, The Export-Import Bank of China, CCB International and Thomson Reuters, among others.

As our hotel properties are generally operated and managed by top international operators and located in prime locations in China's major cities and vacation destinations, our hotel properties typically cater to guests seeking luxury accommodations services, such as high-end business persons and tourists.

Payment for and financing of residential units

Payment for our residential units is to be made in full amount no later than the time of delivery of the key. We allow Purchasers to pay in instalments under the condition that the full amount has been paid at the time of delivery of the key.

It is common practice in the PRC for property developers to facilitate bank financing for the purchasers of residential properties. In accordance with market practice, the property developers are usually required by banks to guarantee the obligations of the purchasers to repay the mortgage loans on the property. The guarantee periods normally last for up to 18 months.

If a purchaser defaults under the loan, once the property developers repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank will assign its rights under the loan and the mortgage to the developer. After mortgage registration, the developer will have full recourse to the property. As of December 31, 2018, 2019 and 2020, the financial guarantees provided by us in respect of mortgage facilities for certain purchasers of our properties amounted to RMB23,836.9 million, RMB22,867.7 million and RMB30,337.8 million, respectively.

Completion and delivery

We strive to develop high quality properties in a timely manner within the time frame specified in any applicable pre-sale or sales contracts. Upon passing inspections by the relevant PRC government departments and receiving full payment from our customers, we transfer title of the relevant property to our customers in accordance with the terms of the relevant sale and purchase agreement.

We also assist customers in obtaining ownership certificates from the relevant PRC government departments. We assist our customers in arranging for and providing information relating to financing, including information on potential mortgagee banks, such as the Bank of East Asia and ICBC, and the mortgage terms they offer. We also assist our customers in various title registration procedures relating to a property.

Property management

In accordance with local government regulations, we engage property management companies to manage properties developed by us on behalf of our customers until the owners committee of the relevant property is established and a new property management company is appointed. We emphasize high quality customer service and efficient maintenance services for our completed projects.

When selecting property management companies, we consider the qualifications of the potential candidate, the quality of services provided, proposed fees and the potential to bring future quality tenants. Our property management staff also assists the project teams in handover inspections and the follow-up work required on our completed projects. With respect to our completed residential property developments, the owners of units in these projects are free to choose their own property management company upon establishment of a homeowners' committee.

Environmental Matters

As an operator and developer of property in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment.

The *Law on Environmental Impact Assessment of PRC* (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the Ninth National People's Congress on October 28, 2002, implemented on September 1, 2003 and amended on July 2, 2016 and December 29, 2018 provides that a real estate developer shall prepare an environmental impact assessment report for submission to PRC environmental authorities and obtain approval from such authorities before commencing construction. During the construction stage, environmental protection measures shall be taken.

Upon completion of each project, the relevant environmental authorities will inspect the site and test the environmental control facilities to help ensure compliance with all applicable environmental regulations and issue the relevant environmental test to confirm such compliance. Pursuant to the *Administrative Regulations on the Work Safety of Construction Projects* (建設工程安全生產管理條例) promulgated by the State Council on November 24, 2003 and implemented on February 1, 2004, the property developer shall ensure the fee used for safety construction measures and prepare the safety construction measures file for submission to the relevant construction authorities when the developer applies for a Permit for Commencement of Work.

During the project design stage, we must prepare an environmental impact assessment report for submission to the relevant environmental authorities. We must obtain the approval from the environmental authorities for the environmental impact assessment report before commencing construction. All of our projects currently under development have received such approval.

The necessary environmental control systems as stated in the approved environmental impact assessment report, such as sewage treatment facilities and procedures to control water and waste discharge are to be incorporated into the project design. We must also receive approval from other relevant authorities on these environmental control facilities, including the National Environmental Bureau.

During the construction stage, the environmental control facilities must be completed in accordance with the design and the relevant codes of practice. We also must ensure that our construction contractors comply with applicable environmental and safety laws and regulations during the construction period. During the construction of development projects, the environment is typically impacted by an increased amount of dust around the site, increased construction waste and increased noise pollution.

In each of these cases, our construction contractors, as part of the responsibilities under their contracts, are responsible for taking actions to clear waste, to keep dust levels low, to control noise pollution and to comply with all relevant environmental laws and regulations. In order to ensure compliance, we hire high-quality, experienced and highly-qualified contractors that we believe will reliably adhere to these regulations. In addition, we hire independent third party advisers to oversee compliance to environmental, social, health and safety regulations.

Upon completion of each project, the relevant environmental authorities will inspect the site and test the environmental control facilities to ensure compliance with all applicable environmental standards and prepare a report to confirm such compliance. The resulting report is presented together with other specified documents to the relevant construction administration authorities for their approval and record. Approval from the environmental authorities on such report is required before we can handover our completed work to our customers.

Our property development projects feature a number of innovative technologies that are designed to be environmentally responsible, including technologies that promote energy efficiency.

Land development

In relation to Changsha Meixi Lake Project, we do not have ownership title or land use right to the land. However, we have been granted the right to carry out construction and preparation work in respect of land infrastructure and ancillary public facilities for the project.

We will be in charge of land acquisition, compensation and resettlement, all preliminary municipal infrastructure and urban public facilities and other related subsequent developments within the land area of this project. When the land plots are sold by the local government, we are entitled to receive the land development fee from the local authorities.

Labor and Safety

The relevant PRC labor and safety laws and regulations primarily include the following:

- the PRC Labor Law (中華人民共和國勞動法), PRC Labor Contract Law (中華人民共和國勞動合同法),
- the PRC Labor Dispute Mediation and Arbitration Law (中華人民共和國勞動爭議調解仲裁法),
- the PRC Social Insurance Law (中華人民共和國社會保險法),
- the Opinions on Several Questions Concerning the Implementation of the Labor Law (關於貫徹執行中華人民共和國勞動法若干問題的意見),
- the Interpretation of Questions Relating to Labor Contract on Implementation of the Labor Law (實施勞動法中有關勞動合同問題的解答),
- Provisions on Minimum Wages (最低工資規定),
- Provisions on Collective Contracts (集體合同規定),
- the Trial Procedures for Childbirth Insurance for Enterprise Employees (企業職工生育保險試行辦法),
- Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees (國務院關於建立城鎮職工基本醫療保險制度的決定),
- Provisional Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例),
- Regulations on Work-Related Injury Insurance (工傷保險條例),
- Regulations on Unemployment Insurance (失業保險條例),
- Decision of the State Council on Establishing a Uniform Basic Old-Age Insurance System for Enterprise Employees (國務院關於建立統一的企業職工基本養老保險制度的決定), and
- the Regulations on the Management of the Housing Provident Fund (住房公積金管理條例).

The aforementioned laws and regulations set forth relevant provisions on labor contracts, collective contracts, working hours, rest and vacation, wages, health and safety, the special protection of female and juvenile employees, social insurance and welfare for our employees.

Regulatory Compliance

We are in compliance with, in all material respects, and have obtained all necessary approvals and permits required by, all laws and regulations relevant to our current operations.

Competition

The property industry in the PRC is highly fragmented and competitive. We primarily face competition from major domestic developers and, to a lesser extent, foreign developers, primarily from other countries or regions in Asia, including several leading developers from Hong Kong.

We compete with other property developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Some of our competitors may have greater financial, marketing, land and other resources than we, through our subsidiaries and associates, have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. For more information on competition, see "*Risk Factors – Risks Relating to Our Business – We face intense competition*."

Legal Proceedings

We are subject to various legal proceedings and claims that arise in the ordinary course of business such as disputes with tenants of our office and commercial properties and disputes with the owners of units in our residential properties. See "*Risk Factors – Risks Relating to Our Business – We may be involved in legal and other proceedings arising out of our operations or otherwise from time to time and may face significant liabilities as a result*."

Intellectual Property Rights

We rely on a combination of trademark, domain name registrations and contractual arrangements to establish and protect our brand names and logos, marketing designs and internet domain names. Our principal brand names are registered trademarks in Hong Kong. Sinochem Group has licensed to us the right to use such trademarks.

We also hold several trademarks registered in the PRC with respect to our operations, and we have registered several domain names, including franshion.com and franshion.hk. As of the date of this offering circular, we were not aware of any infringement of our intellectual property rights by any third party.

Insurance

We maintain insurance policies with insurance companies in the PRC, which cover property damage due to natural hazards, including lightning, typhoons, tornados, floods, landslides and other natural phenomena, and accidents, including fires and explosions and general liability under property all risk insurance and public liability insurance.

We believe our properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage, in line with industry practice. See "*Risk Factors – Risks Relating to Our Business – Our current insurance coverage may not be adequate to cover all risks related to our operations*."

Employees

As of December 31, 2020, we had a total of 11,592 employees. We offer competitive remuneration packages to our employees, including competitive salaries and certain other benefits including retirement schemes, medical insurance schemes, accident insurance schemes, unemployment insurance schemes, maternity insurance schemes and housing fund. We periodically review and adjust salary levels according to market standards.

MANAGEMENT

Directors

The following table sets forth information on our Directors as of the date of this offering circular.

Name	Age	Position/Title
NING Gaoning	62	Chairman and Non-executive Director
YANG Lin	56	Non-executive Director
AN Hongjun	45	Non-executive Director
CHENG Yong	47	Non-executive Director
WANG Wei	52	Non-executive Director
LI Congrui	49	Executive Director and Chief Executive Officer
JIANG Nan	47	Executive Director and Chief Financial Officer
SONG Liuyi	45	Executive Director and Senior Vice President
SU Xijia	66	Independent Non-executive Director
SUEN Man Tak	62	Independent Non-executive Director
GAO Shibin	56	Independent Non-executive Director
ZHONG Wei	51	Independent Non-executive Director

Directors

Mr. NING Gaoning, aged 62, joined the Company in May 2016 as Chairman and Non-executive Director. Mr. Ning is currently a standing committee member of the 13th National Committee of the Chinese People's Political Consultative Conference. Mr. NING joined Sinochem Group in January 2016, and currently serves as the chairman of the board of directors of Sinochem Group, Sinochem Corporation and Sinochem Hong Kong (Group) Co., Ltd. He also serves as the chairman of the board of directors of Far East Horizon Limited (stock code: 03360). Mr. NING served as the chairman of the board of directors of Sinofert Holdings Limited (stock code: 00297) from March 2016 to December 2016. From October 1986 to December 2004, Mr. NING held various senior positions in China Resources (Holdings) Co., Ltd., including business manager and deputy general manager of enterprise development department, director and deputy general manager and vice chairman and general manager. Mr. NING served as the chairman of the board of directors of COFCO Corporation and director of its certain subsidiaries from December 2004 to January 2016. Mr. NING held various positions such as chairman of the board of directors of China Mengniu Dairy Company Limited (stock code: 02319) and non-executive director of China Foods Limited (stock code: 00506), China Agri-Industries Holdings Limited (stock code: 00606) and CPMC Holdings Limited (stock code: 00906) until February 2016. In addition, Mr. NING also served as an executive director of China Foods Limited until November 2013. Mr. NING was also an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 600743) until November 2014 and an independent non-executive director of BOC Hong Kong (Holdings) Limited (stock code: 02388) until October 2014. Mr. NING has over 30 years of experience in real estate development and investment, business management, capital market and discipline inspection and internal control. Mr. NING graduated from Shandong University in China with a bachelor's degree in Politics and Economics in 1983 and graduated from University of Pittsburgh in the United States with a master's degree in Business Administration in 1986. He was awarded the title of economist and senior international business engineer in 1987 and 2007, respectively. Mr. NING was a member of the 18th Central Commission for Discipline Inspection of the Communist Party of China (CPC) and a member of the "13th Five-Year Plan" National Development Planning Expert Panel. Currently, Mr. NING is a co-chairman of APEC Business Advisory Council (ABAC), chairman of APEC China Business Council, and an executive director of the International Chamber of Commerce (ICC). Mr. NING was awarded "CCTV China Economic Person of the Year" for three times, China's "Annual Top 25 Most Influential Business Leader Awards" by China Entrepreneur for 10 consecutive years, "China's Most Influential Business Leaders" by Fortune, "Asia Business Leader Awards" by CNBC, and "Asian Corporate Director" by Corporate Governance Asia. From 2007 to the present, Mr. NING has been a delegate of the 17th, 18th and 19th National Congress of the CPC respectively.

Mr. YANG Lin, aged 56, joined the Company in February 2014 as a Non-executive Director. Mr. YANG joined Sinochem Group in 1994 and had held various positions, including deputy general manager of the finance and accounting departments, general manager of the finance department, deputy general manager of the investment and development departments, general manager of the fund management department, deputy chief accountant of Sinochem Group, and deputy chief financial officer of Sinochem Corporation. Mr. YANG is currently the chief accountant of Sinochem Group and the chief financial officer of Sinochem Corporation. He also holds directorships and senior management positions in various subsidiaries and/or affiliates of Sinochem Group. Mr. YANG was a supervisor of China State Construction Engineering Corporation Limited, (a company listed on the Shanghai Stock Exchange, Stock code: 601668) from 2007 to 2010. Since October 2009, Mr. YANG has been a non-executive director of Far East Horizon Limited (of which Sinochem Group is a substantial shareholder, stock code: 03360). Mr. YANG has been a director of Sinochem International Corporation, a subsidiary of Sinochem Group (a company listed on the Shanghai Stock Exchange, stock code: 600500) since June 2010. Mr. YANG has been a non-executive director of Sinofert Holdings Limited (stock code: 00297), a subsidiary of Sinochem Group since August 2010. Mr. YANG has over 20 years of experience in fund management. Mr. YANG worked at Siemens AG and Wella AG from 1993 to 1994. Mr. YANG graduated from Tianjin University of Commerce with a bachelor's degree in Commercial Enterprise Management in 1985. He pursued a study of enterprise management courses in University of Stuttgart in Germany from 1990 to 1993.

Mr. AN Hongjun, aged 45, has been a Non-executive Director of the Company since November 2015. Mr. AN joined New China Asset Management Corporation Limited in May 2010 and served successively as the deputy general manager of the project investment department (in charge of daily operations) and the general manager of the international business department. He has been an executive director and the president of New China Asset Management (Hong Kong) Limited since April 2013. Mr. AN has served as a non-executive Director of Guotai Junan Securities Co., Ltd. (stock code: 2611; a company also listed on Shanghai Stock Exchange, stock code: 601211) since December 2019. Prior to joining New China Asset Management Corporation Limited, Mr. AN had held various positions, including project manager, macro researcher and research analyst, in Northeast Securities Co., Ltd., The People's Insurance Company (Group) of China Limited and China Life Franklin Asset Management Company Limited. Mr. AN has over 15 years of practical experience in securities, insurance and investment sectors, and has mastered a general knowledge in macroeconomics, securities investment and real estate industries, and had in-depth research on various subject such as corporate governance and development strategies. Mr. AN obtained his bachelor's degree in Economics at Jilin University in 1998, and a master's degree in Economics at Jilin University in 2002, and then the doctor's degree in Economics at Jilin University in 2006. Mr. AN obtained the Securities Practitioner Qualification Certificate issued by the Securities Association of China and the license to carry on businesses including advising on securities and asset management granted by Securities and Futures Commission of Hong Kong.

Mr. CHENG Yong, aged 47, joined the Company in August 2020 as a Non-executive Director. Mr. Cheng joined the strategic planning department of Sinochem Group Co., Ltd. ("**Sinochem Group**") in August 1999. He served as an assistant to the general manager, the deputy general manager and the general manager of the strategic planning department of Sinochem Group from August 2002 to December 2016, the vice president of the agricultural business department of Sinochem Group from January 2017 to October 2018, and the managing director of Sinochem Agriculture Holdings Limited from October 2015 to October 2018. Mr. CHENG has been the deputy director of the human resources department of Sinochem Group since October 2018, and the executive vice president of Sinochem Innovation Management Institute (中化創新管理學 院) since December 2018. Mr. CHENG has also been a director of a number of subsidiaries of Sinochem Group, including Sinochem Qingdao Co., Ltd., Sinochem Lantian Co., Ltd., China Foreign Economy and Trade Trust Co., Ltd. and Sinochem Capital Co., Ltd. since May 2012. Mr. CHENG has over 20 years of extensive experience in economic and trade, agricultural industry, corporate strategy and human resources management.

Mr. WANG Wei, aged 52, joined the Company in August 2020 as a Non-executive Director. Mr. Wang joined Ping An Insurance (Group) Company of China, Ltd. (“**Ping An Group**”) in early 2013. Mr. WANG served as the managing director of Ping An Real Estate Capital Ltd. from 2013 to 2018, and has been the managing director of strategic investment of Ping An Group’s asset management center since August 2018. Prior to joining Ping An Group, Mr. WANG served as an analyst at the treasury department of the head office of Bank of China Limited from 1991 to 1994, an associate, vice president and senior vice president of the fixed income and equity capital market divisions at J.P. Morgan (New York headquarters, Singapore and Hong Kong) from 1994 to 2000 and 2002 to 2005, a member of the China management committee, the managing director and co-head of the China fixed income and derivatives division at UBS Group (Hong Kong) from 2005 to 2007, a vice president and the chief financial officer of Sunshine 100 China Holdings Ltd. from 2008 to 2009, and the managing director and China head of Forum Partners from 2009 to early 2013. Mr. WANG served as a non-executive director of Wuzhou International Holdings Limited (stock code: 1369) from September 2014 to June 2018, and has been a non-executive director of CIFI Holdings (Group) Co. Ltd. (stock code: 884) since November 2018, and a non-executive director of China Fortune Land Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600340) since October 2018. Mr. WANG has over 25 years of extensive experience in domestic and overseas capital markets with a focus on real estate industry investment over the past 12 years. Mr. WANG obtained a bachelor’s degree in economics, majoring in international finance, from the department of world economy of Fudan University in 1991, and a master’s degree in business administration from Columbia Business School in the United States in 2002.

Mr. LI Congrui, aged 49, joined the Company in April 2009 as the vice president. Mr. LI has been serving as an executive Director of the Company since June 2011 and an executive Director and the Chief Executive Officer of the Company since January 2013. Mr. LI also holds positions in a number of subsidiaries of the Company. He has been serving as a non-executive director of Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited since March 2014, and has been the chairman of the board of directors since April 2016. Mr. LI also has been serving as the chairman of the board of directors of Sinochem Franshion Properties (Beijing) Co., Ltd. and Jinmao Investment (Changsha) Co., Ltd., and an executive director of Shanghai Jinmao Investment Management Group Co., Ltd. Mr. LI joined Sinochem Group in 1997, and had held various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. From 2003 and prior to joining the Company, Mr. LI was a director and the general manager of Zhoushan State Oil Reserve Base Company Limited. Mr. LI has over 20 years of experience in strategy management, corporate governance, organizational construction, appraisal and analysis on project investment, project management and large project construction. Mr. LI obtained a bachelor’s degree in Petroleum Geology and Exploration from the Petroleum Department of China University of Geosciences (Wuhan) in 1994. He earned a master’s degree in Petroleum Development from the Research Institute of Petroleum Exploration & Development in 1997 and an Executive Master of Business Administration degree from China Europe International Business School (CEIBS) in 2007.

Mr. JIANG Nan, aged 47, joined the Company in January 2006 as the Chief Financial Officer of the Company and has been involved in the day-to-day management of the Company since then. Mr. JIANG served as an executive Director of the Company from 2007 to 2011, and has been re-designated as an executive Director of the Company since August 2015. Mr. JIANG also holds positions in a number of subsidiaries of the Company, including a director and the general manager of Jinmao Capital Holding Limited, and a non-executive director of Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited. He is in charge of the direction and management of the Company’s accounting and finance, capital market, investor relations and budget assessment. He joined Sinochem Group in August 1995 and worked in the finance department of Sinochem Group from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong (Group) Company Limited from August 2002 to January 2006, responsible for handling the financial management and investment projects, and the operation of overseas funds of Sinochem Group. Mr. JIANG has over 20 years of experience in corporate finance and accounting management. Mr. JIANG earned a bachelor’s degree in finance from China Institute of Finance in 1995 and a master’s degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate in 1999 and is now a member of the Association of International Accountants (AIA).

Mr. SONG Liuyi, aged 45, has been an Executive Director of the Company since August 2017. Mr. SONG joined the Company as the assistant to the President of the Company in May 2011 and became the Vice President of the Company in January 2013. He has been serving as the Senior Vice President of the Company since March 2017, and has been an executive Director of the Company since August 2017. Mr. SONG also holds positions in a number of subsidiaries of the Company, including the director and the general manager of Sinochem Franshion Properties (Beijing) Co., Ltd., Beijing Franshion Yicheng Properties Company Limited and Beijing Franshion Tuoying Property Development Co., Ltd. Mr. SONG joined Sinochem Group in 2001 and worked at the investment business department of Sinochem International Corporation, the investment department and general office of Sinochem Group. Mr. SONG has nearly 20 years of experience in project investment, real estate development and corporate management. Mr. SONG obtained a bachelor's degree in high polymer materials and processing from the Beijing Institute of Technology in 1998 and a master's degree in materials from the Beijing Institute of Technology in 2001.

Mr. SU Xijia, aged 66, has been an independent Non-executive Director of the Company since March 2007. He was an assistant professor in 1996 and was subsequently promoted as an associate professor in the Department of Accountancy of City University of Hong Kong. He joined China Europe International Business School (CEIBS) since July 2010 as a professor of accounting. His research focuses on corporate governance and auditing practices of PRC listed companies. He has also been appointed as the special researcher by the CICPA since 2005. He has given lectures at the China Securities Regulatory Commission, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, major commercial banks and various universities in China. He was an independent director of Shenzhen SEG Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000058) from 2002 to 2008 and an independent director of Shenzhen Topray Solar Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002218) from 2007 to 2010, respectively. He was an independent director of World Union Property Consultancy (China) Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002285) from 2007 to 2013, and an independent director of Huazhong In-vehicle Holdings Company Limited (stock code: 06830) from 2011 to 2013. From 2010 to 2016, he served as an independent director of Sundy Land Investment Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600077). From 2011 to 2017, he served as an independent director of Shenzhen Ellassay Fashion Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603808), and from 2014 to 2017, he served as a non-executive director of Jiangsu Changbao Steel Tube Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002478). Mr. SU has been serving as an independent director of Industrial Bank Co., Ltd. since 2017, and he has been an independent director of Opple Lighting Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603515) and Fujian Sanmu Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000632) since June 2018. Mr. SU has over 20 years of experience in corporate governance and accounting practice. Mr. SU earned a bachelor's degree in Accounting from Xiamen University in 1982. He obtained his PhD degree from Concordia University of Canada in 1996.

Mr. SUEN Man Tak, aged 62, has been an independent Non-executive Director of the Company since November 2020. Mr. SUEN had served with the Securities and Futures Commission of Hong Kong (the "**SFC**") for more than 17 years. He is now a practicing barrister-at-law specializing in litigation and advisory matters in relation to the Securities and Futures Ordinance (the "**SFO**"), the Codes on Takeovers and Mergers and Share Buy-backs, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Code of Conduct for Persons Licensed by or Registered with the SFC, market misconduct, white collar crimes and anti-money laundering activities. Mr. SUEN has been an independent non-executive director of Sino-Ocean Group Holding Limited (stock code: 3377) since December 2015, and an independent non-executive director of Zijin Mining Group Co., Ltd. (stock code: 2899) since December 2019. Mr. SUEN received his master's degree in accountancy from the Charles Sturt University, Australia in September 1996. He further obtained a degree of juris doctor in July 2010 and a postgraduate certificate in laws in July 2011, both from the City University of Hong Kong. He was called to the Hong Kong Bar in February 2013. Mr. SUEN has been a member of the Hong Kong Institute of Certified Public Accountants since July 1998 and a member of the Hong Kong Securities and Investment Institute since April 1999.

Mr. GAO Shibin, aged 56, has been an independent Non-executive Director of the Company since November 2015. Mr. GAO served as an independent Non-executive Director of the Company from July 2007 to June 2011. Mr. GAO worked for Jones Lang LaSalle Beijing from April 2003 to May 2008 and was a national director before departure. He served as the managing director for China of Standard Chartered Asia Real Estate Fund Management Company from June 2008 to September 2009. He was the managing director of Tishman Speyer Properties and the general manager of its Beijing branch from October 2009 to October 2015. Mr. GAO worked as a project manager, a senior business manager and a senior investment manager for several investment and project management companies in the UK, Hong Kong and Canada between 1996 and 2003. Mr. GAO has over 20 years of experience in real estate development and investment, real estate finance and asset management. Mr. GAO obtained a bachelor's degree in Civil Engineering and a master's degree in Building Economics and Management from Tsinghua University in 1987 and 1989, respectively. He obtained his PhD degree in Property Development and Management from the University of Manchester in the UK in 1998. Mr. GAO is a member of the Royal Institution of Chartered Surveyors and an assessor of its membership qualification. Mr. GAO also served as a standing committee member of the Professional Committee of Urban-Rural Development (城鄉建設專業委員會) of Tsinghua University Alumni Association (清華大學校友總會).

Mr. ZHONG Wei, aged 51, has been an independent Non-executive Director of the Company since August 2020. Mr. Zhong has been a professor of the department of finance of the Business School of Beijing Normal University since July 2003. Prior to that, Mr. ZHONG served as an assistant engineer at Wuxi Alarm Devices Factory from July 1990 to July 1992, a lecturer at the Business School of Jiangnan University from July 1994 to July 1997, and an associate professor of the Business School of Beijing Normal University between 1999 and 2003. Mr. ZHONG served as an independent director of Dongxing Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601198) from August 2010 to March 2017, and has been an independent non-executive director of China Resources Land Limited (stock code: 1109) since April 2017, and an independent non-executive director of Seazen Group Limited (stock code: 1030) since December 2014. Mr. ZHONG has over 20 years of experience in the areas of corporate governance, finance and real estate research. Mr. ZHONG obtained a bachelor's degree in science from the department of physics of Nanjing University in 1990, a master's degree in management engineering from the School of Economics and Management of Southeast University in 1994, a doctoral degree in economics from Beijing Normal University in 1999, and a post-doctoral degree in management science and engineering from Tongji University in 2004.

Senior Management

Mr. LI Congrui, is our Executive Director and Chief Executive Officer. See "*Directors*" for his biography.

Mr. ZHANG Hui, aged 49, has been a vice president of the Company since January 2010. From March 2014 to October 2017, he was re-designated as the chief executive officer and executive director of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited and Jinmao (China) Investments Manager Limited, and he has been re-designated as a non-executive director of these companies since October 2017. Mr. ZHANG has served as the senior vice president of the Company since October 2017. Mr. ZHANG is currently an executive director of a number of subsidiaries of the Company including Jinmao Xinan Enterprise Management (Chongqing) Limited. Mr. ZHANG joined Sinochem Group in 2002 and held a number of senior positions including the general manager of Shanghai Orient Terminal Co., Ltd. Before joining Sinochem Group, he worked at Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has approximately 20 years of experience in large-scale project development and management, project investment planning and corporate governance. Mr. ZHANG graduated from China University of Geosciences (Wuhan) with a bachelor's degree in oil and gas reservoir engineering in June 1995 and obtained a executive master's degree in business administration from China Europe International Business School in September 2008. He obtained the Professional Certificate of Specialty and Technology and was awarded with the title of Senior Economist in December 2011. He was a delegate in the 14th Session of the Shanghai Municipal People's Congress.

Mr. JIANG Nan, is our Executive Director and Chief Financial Officer. See "*Directors*" for his biography.

Mr. SONG Liuyi, is our Executive Director and Senior Vice President. See "*Directors*" for his biography.

Mr. TAO Tianhai, aged 44, has been a Vice President since January 2017 and became a Senior Vice President of the Company in October 2017. Upon joining China Jin Mao (Group) Co., Ltd. in July 2000, Mr. TAO has served as the manager of planning management at the corporate planning department and the general manager of the strategic planning department. He successively served as the general manager of the strategic operations department, general manager of the cost contracting department and assistant to the president of the Company from October 2009. Mr. TAO currently serves as an executive director and chairman of a number of subsidiaries of the Company, including Jinmao (Shanghai) Real Estate Co., Ltd., Franshion Properties (Hangzhou) Co., Ltd., Franshion Properties (Ningbo) Co., Ltd. and Franshion Properties (Suzhou) Co., Ltd. Mr. TAO has more than 15 years of experience in hotel and real estate development and management, and accumulated extensive practical experience in areas of corporate management, strategic management, operations management, etc. Mr. TAO obtained a bachelor's degree in Information Management from Northeast Normal University in July 1997 and a master's degree in Economics from Fudan University in July 2000.

Mr. WEI Zhe, aged 50, has been a vice president of the Company since January 2017 and a senior vice president of the Company since October 2017. Upon joining the Company in October 2013, he served as an assistant to the president of the Company. He is currently the chairman, executive director and general manager of a number of subsidiaries of the Company, including Guangzhou Jinmao Properties Co., Ltd., Foshan Maoxing Property Development Co., Ltd. and Shenzhen Yuemao Properties Co., Ltd. Mr. WEI began his career in July 1991. He was the deputy secretary of the Youth League General Branch of the Design Review Office of Shaanxi Provincial Planning Commission from July 1991 to May 1995. He worked at China State Construction Engineering Corporation Limited from May 1995 to October 2013, during which he served as the architectural designer and the person-in-charge of project design of China Construction Northwest Design & Research Institute, senior architect of the planning and design centre of China Overseas Property Group Co., Ltd., director and deputy chief architect of China Overseas Property (Xi'an) Co., Ltd., deputy director of design of China Overseas Property Group Co., Ltd. (North China), and director and design director of China Overseas Property Chongqing Co., Ltd. He served as the general manager of China State Construction Land, Changsha Branch and general manager of Changsha CSC Investment Co., Ltd. from July 2011 to October 2013. Mr. WEI is a Grade-1 registered architect and has accumulated more than 20 years of extensive experience in design and real estate project development and management. Mr. WEI obtained a bachelor's degree in Architecture from North-western Institute of Architectural Engineering in July 1991.

Mr. LIAO Chi Chiun, aged 52, has been the Chief Accountant, Qualified Accountant and Company Secretary of the Company since March 2007. Prior to joining the Company, he served as an accountant of SEA Holdings Limited between 1997 and 2006. He has over 20 years of experience in Hong Kong and PRC accounting practice relating to property leasing and development. Mr. LIAO earned a BA (Hons) degree in Accounting from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the HKICPA.

Board Committees

Our Board has established four Board Committees: the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Strategy & Investment Committee.

Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee are Mr. ZHONG Wei, Mr. SU Xijia, Mr. GAO Shibin, Mr. CHENG Yong and Mr. WANG Wei.

The functions of the Remuneration and Nomination Committee include the following:

- to review the structure, size and composition of the Board at least annually based on the policy on Board diversity, to consider candidates according to objective conditions (including factors such as skills, knowledge, experience, gender and age), and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals who are qualified to become members of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorship;

- to examine the standards and procedures for selection of Directors and senior management and to make recommendations to the Board;

- to review the qualifications and abilities of candidates for directorship and senior management and to make recommendations to the Board;

- to assess the independence of the independent non-executive Directors;

- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive;

- to consult with the chairman and/or the chief executive on remuneration of the other executive Directors and to seek independent professional advices as and when necessary;

- to make recommendations to the Board on the policies and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including monetary benefits, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of non-executive Directors;

- to review and approve the management's remuneration proposals with reference to the Board's corporate strategies, goals and objectives;

- to consider salaries paid by comparable companies, time commitment for discharging responsibilities, and employment conditions of other positions in the Company and its subsidiaries;

- to determine the criteria for assessing the executive Directors' and senior management's performance and appraise the performance of the executive Directors and senior management, and to seek professional assistance and advice as and when necessary;

- to review and approve compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

- to deal with any other matters authorised by the Board.

The Audit Committee

The Audit Committee is responsible for communicating with management and the internal and external auditors, as well as reviewing and overseeing our financial reporting and audit processes jointly with them. The members of the Audit Committee are Mr. SU Xijia, Mr. YANG Lin, Mr. AN Hongjun, Mr. SUEN Man Tak and Mr. GAO Shibin.

The chairman of the Audit Committee is Mr. SU Xijia. All members of the Audit Committee have financial backgrounds which help enable them to assess our financial conditions, compliance and risk exposure as well as to impartially discharge their duties and responsibilities.

The functions of the Audit Committee include the following:

- to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any questions of its resignation or dismissal;

- to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on engaging an external auditor to provide non-audit services, and report to the Board, identifying and making recommendations on any matters where action or improvements is needed;

- to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

    - any changes in accounting policies and practices;

    - major judgmental areas;

    - significant adjustments resulting from audit;

    - the going concern assumptions and any qualifications;

    - compliance with accounting standards;

    - compliance with the Listing Rules and legal requirements in relation to financial reporting.

    In order to perform the above duties:

    (a) members of the Committee should liaise with the Board, senior management of the Company. The Committee must meet, at least twice a year, with the Company's auditors;

    (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the staff responsible for the accounting and financial matters, compliance officer or auditors of the Company.

- to review the Company's financial controls, and to review the Company's risk management and internal control systems; to discuss the risk management and internal control systems with the management to help ensure that management has performed its duty to have an effective systems, and that resources, employees' qualifications and experience are adequate for performing the accounting and financial reporting functions, and the training courses received by employees and any budgets in relation thereto are sufficient; to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- to review the Company's financial and accounting policies and practices; to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- to establish and review the system for direct reporting by employees of the Company, through which they can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The Committee shall be entitled to take any action which it thinks appropriate and necessary for investigation of any unusual situation of the Company and to report it to the Board as and when necessary. The Committee shall be entitled to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- to act as the key representative body for overseeing the Company's relations with the external auditor; and

- to report to the Board on the matters set out above, and to deal with any other matters authorised by the Board.

Independent Board Committee

The members of the Independent Board Committee are Mr. SU Xijia, Mr. SUEN Man Tak, Mr. GAO Shibin and Mr. ZHONG Wei. All members are independent Non-executive Directors.

The functions of the Independent Board Committee include the following:

- discuss whether we should exercise the independent options granted by Sinochem Group to us pursuant to the Non-Competition Undertaking dated July 26, 2007 and discuss any business in connection with the Non-Competition Undertaking or any reconstruction business in relation to the properties held by Sinochem Group and the new business opportunities or property redevelopment opportunities of which we are notified by Sinochem Group in writing;

- formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers regarding the exercise of options and pursuit of new opportunities;

- for connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spin off listing arrangements subject to approval under the Listing Rules, examine whether the terms thereunder are fair and reasonable, and in the interest of the Group and its shareholders as a whole, and to make recommendations to the Board; and

- review continuing connected transactions every year and make confirmation in our annual reports and accounts.

Strategy & Investment Committee

The members of the Strategy & Investment Committee are Mr. LI Congrui, Mr. JIANG Nan, Mr. SONG Liuyi and Mr. GAO Shibin. The chairman of the Strategy & Investment Committee is Mr. LI Congrui.

The functions of the Strategy & Investment Committee include the following:

- study and formulate our growth strategies, and supervise and monitor management's execution of our growth strategies;

- review new project investment proposals submitted by management according to our growth strategies; and

- review proposals submitted by management regarding the establishment of departments at the headquarters.

Compensation of Directors and Senior Management

The aggregate amount of compensation paid and granted by us to our key management personnel for the years ended December 31, 2018, 2019 and 2020 was approximately RMB63.8 million, RMB70.2 million and RMB55.6 million, respectively.

The remuneration of members of our senior management team is determined by the Board of Directors and is reviewed on an annual basis taking into consideration performance criteria such as achieving revenue and net profit targets. Our Non-executive Directors do not receive any salary or director's fees from our Company.

Share Option Scheme

On November 22, 2007, we adopted a share option scheme (the "**2007 Scheme**"), which expired on November 21, 2017. On January 29, 2019, the Company held an extraordinary general meeting, and approved and adopted a new share option scheme (the "**New Scheme**"), the purpose of which is to increase the commitment of our employees and encourage them to pursue our objectives.

According to the terms of the New Scheme, the Board of Directors at its absolute discretion is entitled to grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants (i.e. recipients of the options granted) include any existing Executive or Non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent Non-executive Directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes shall not in aggregate exceed 10% of our then issued share capital. Accordingly, the Company may issue up to 1,155,352,832 shares to the participants under the New Scheme, representing 9.8% of our issued share capital as of December 31, 2020.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and which may fall to be issued upon exercise of the options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of our issued share capital at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at our request, pay a consideration of HK$1 or equivalent (to be determined on the date when the offer of the grant is accepted) to us as consideration for acceptance of the offer of the grant of the option.

For more details, see note 39 to our audited consolidated financial information for the year ended December 31, 2020.

SUBSTANTIAL SHAREHOLDERS

As of June 30, 2020, the following persons (other than the Directors or chief executives of the Company) had interest and short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register of the Company referred to therein, or which had already been notified to the Company and the Hong Kong Stock Exchange:

Name of the substantial shareholder	Nature	Capacity/nature of Interests	Number of ordinary shares	Approximate percentage of the issued share capital
Sinochem Hong Kong (Group) Company Limited	Long position	Beneficial owner	4,476,188,025	35.15%
Sinochem Corporation	Long position	Interest of controlled corporation(1)	4,476,188,025	35.15%
Sinochem Group Co., Ltd.	Long position	Interest of controlled corporation(1)	4,476,188,025	35.15%
Ping An Life Insurance Company of China, Ltd.	Long position	Beneficial owner	1,787,077,435	14.03%
Ping An Insurance (Group) Company of China, Ltd.	Long position	Interest of controlled corporation(2)	1,790,061,831	14.05%
New China Life Insurance Co. Ltd.	Long position	Beneficial owner	1,079,321,860	8.47%
	Long position	Interest of controlled corporation(3)	14,000,000	0.11%
UBS Group AG.	Long position	Interest of controlled corporation(4)	887,151,789	6.97%

(1) Sinochem Group Co., Ltd. holds the entire equity interests in Sinochem Corporation, which in turn holds the entire equity interests in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Group Co., Ltd. and Sinochem Corporation are both deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

(2) Ping An Insurance (Group) Company of China, Ltd. holds 99.51% equity interests in Ping An Life Insurance and the entire equity interests in Ping An of China Asset Management (Hong Kong) Company Limited. For the purpose of the SFO, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 1,787,077,435 shares beneficially owned by Ping An Life Insurance and 2,984,396 shares beneficially owned by Ping An of China Asset Management (Hong Kong) Company Limited.

(3) New China Life Insurance Company Ltd. is deemed to be interested in 14,000,000 shares beneficially owned by New China Capital Management Limited, a corporation indirectly controlled by New China Life Insurance Company Ltd.

(4) UBS Group AG is deemed to have interests in the shares of the Company held by UBS AG, UBS Switzerland AG, UBS Asset Management (Shanghai) Limited, UBS Asset Management (Americas) Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Canada) Inc., UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Japan) Ltd, UBS Asset Management Life Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Switzerland AG, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A. and UBS Fund Management (Switzerland) AG, and such companies are subsidiaries of UBS Group AG. Among such long positions, 64,000 shares are cash settled unlisted derivatives.

(5) On 6 August 2019, Sinochem Hong Kong delivered 1,787,077,435 shares to Ping An Life Insurance pursuant to a placing and subscription agreement dated 26 July 2019. Ping An Life Insurance is granted a pre-emptive right to offmarket transfers and is thus deemed to be interested in 4,476,188,025 shares held by Sinochem Hong Kong by virtue of s.317 of the SFO, and Sinochem Hong Kong is deemed to be interested in 1,787,077,435 shares held by Ping An Life Insurance by virtue of s.317 of the SFO.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading "*Certain Definitions*". The Notes are to be issued under an indenture (the "**Indenture**") to be executed by, among others, Franshion Brilliant Limited 方興光耀有限公司 (the "**Issuer**"), China Jinmao Holdings Group Limited (the "**Guarantor**"), The Bank of New York Mellon, London Branch, as trustee (the "**Trustee**") and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar (the "**Registrar**"). The following description is a summary of the material provisions of the Indenture. It does not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Copies of the Indenture will be (i) available for inspection free of charge upon prior written request and satisfactory proof of holding during normal business hours (being between (9:00 am and 3:00 pm) on any weekday (except public holidays) at the corporate trust office of the Trustee currently located at One Canada Square, London E14 5AL, United Kingdom or (ii) provided by the Trustee via email to the relevant holders, in each case, provided the Trustee has been supplied with the relevant documents by the Issuer. Certain defined terms used in this description but not defined below under "– *Certain Definitions*" have the meanings assigned to them in the Indenture.

General

The Notes will mature on April 9, 2026 and will initially be limited to US$600,000,000 aggregate principal amount. A certificate (each, a "**Note Certificate**") will be issued to each holder of the Notes in respect of its registered holding. The Notes will bear interest at the rate of 3.200% per annum from and including April 9, 2021, or from the most recent interest payment date to which interest has been paid or provided for, to and excluding the next interest payment date or the maturity date, payable semi-annually in arrear on April 9 and October 9 of each year, commencing on October 9, 2021, to the person in whose name the Note (or any predecessor Note) is registered at the close of business (whether or not a Business Day) on the preceding March 25 and September 24, as the case may be. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

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 Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

Listing and Trading of the Notes

Application will be made for listing the Notes on the Hong Kong Stock Exchange.

Payments on the Notes

The Issuer will pay principal of, premium, if any, and interest on the Notes at the office or agency of the Issuer in London or at such other location or locations as the Issuer, with the agreement of the Trustee, may designate, except that while the Notes are in definitive form and the Issuer is acting as its own paying agent, the Issuer may pay interest on the Notes by check mailed to holders of the Notes at their registered address as it appears in the Note Register or by wire transfer. Payments of the principal amount of the Notes at maturity or the principal amount to be prepaid upon redemption or repayment in full, together with accrued interest due at maturity, redemption or repayment, as the case may be, will be made to the registered holder thereof against presentation and surrender of the Notes at the specified office of the Paying Agent. Any payments of principal of, premium, if any, and interest on the Notes to be made on a date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. "**Business Day**" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in The City of New York, Hong Kong or London (or in the city where the relevant Paying Agent is located).

The Issuer has initially designated The Bank of New York Mellon, London Branch as the paying agent (the "**Paying Agent**"), and The Bank of New York Mellon SA/NV, Luxembourg Branch as the Registrar for the Notes and the transfer agent (the "**Transfer Agent**"). The Issuer may, however, change the Paying Agent, Transfer Agent or Registrar without prior notice to the holders, and the Guarantor or any of its Subsidiaries may act as Paying Agent, Transfer Agent or Registrar.

Transfer and Exchange

A holder may transfer or exchange the Notes in accordance with the Indenture. The Registrar and the Transfer Agent may require a holder to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Issuer, the Guarantor, the Registrar or the Transfer Agent for any registration of transfer or exchange of Notes, but the Issuer may require a holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Issuer is not required to recognize or give effect to a transfer or exchange of any Note selected for redemption.

Also, the Issuer is not required to recognize or give effect to a transfer or exchange of any Note for a period of 15 days before a selection of Notes to be redeemed. The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Ranking

The Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes will, except as may be provided in applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Guarantee

The Guarantor will fully and unconditionally guarantee to each holder of a Note authenticated and delivered by the Registrar the due and punctual payment of the principal of and interest on such Note (and any Additional Amounts (as described in "– *Taxation*") payable in respect thereof), when and as the same shall become due and payable, whether at the stated maturity date of the Note, by declaration of acceleration, call for redemption, repurchase or otherwise, in accordance with the terms of such Note and of the Indenture. The Guarantor's guarantee (the "**Guarantee**") will constitute a direct, unconditional, unsecured and unsubordinated obligation of the Guarantor. The payment obligation of the Guarantor under the Guarantee and the Indenture will, except as may be provided in applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Further Issues

The Issuer may from time to time, without the consent of the existing holders, create and issue additional notes under the Indenture having the same terms and conditions, as the Notes in all respects, except for issue date, issue price, and the first interest payment date with respect thereto. Additional notes issued may be consolidated with and form a single series with the previously outstanding Notes.

Redemption

Unless earlier redeemed in the limited circumstances set forth below, the Notes will mature on April 9, 2026, at a price equal to 100% of the principal amount thereof. Except as set forth below, the Notes are not redeemable at the option of the Issuer.

Optional Redemption

The Issuer may, at its option, at any time prior to March 9, 2026 (the "**First Par Call Date**") upon giving not less than 30 nor more than 60 days' prior notice, redeem the Notes, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed, if any, to the date of redemption and (2) the Make Whole Amount. Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Make Whole Amount.

The Issuer may, at its option, at any time on or after the First Par Call Date upon giving not less than 30 nor more than 60 days' prior notice, redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest on the Notes to be redeemed, if any, to the date of redemption.

Notice of redemption may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, completion of an equity or debt offering, a financing, or other corporate transactions. In addition, if such notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all of such conditions are satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all of such conditions are not satisfied (or waived by the Issuer in its sole discretion) by the redemption date, or by the redemption date so delayed.

Optional Tax Redemption

The Notes may be redeemed at the option of the Issuer, at any time in whole but not in part, upon not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) to the holders of the Notes, the Paying Agent and the Trustee, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption and any Additional Amounts if, as a result of any change in or amendment to the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or official application of such laws, regulations or rulings, which change or amendment (i) in the case of the Issuer or the Guarantor becomes effective on or after March 30, 2021 and (ii) in the case of any successor to the Issuer or the Guarantor that is organized or tax resident in a jurisdiction that is not a Relevant Jurisdiction as of the original issue date of the Notes, as the case may be, becomes effective on or after the date such successor assumes the Issuer's or the Guarantor's obligations, as applicable, under the Notes and the Indenture:

(1) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts with respect to the Notes as described below under "– *Taxation*";

(2) the Guarantor is or would be unable, for reasons outside its control, on the next succeeding due date for a payment with respect to the Notes to procure payment by the Issuer, and with respect to a payment due or to become due under the Guarantee or the Indenture, the Guarantor is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts as described below under "– *Taxation*"; or

(3) any payment to the Issuer by the Guarantor or any wholly-owned subsidiary of the Guarantor to enable the Issuer to make payment of interest or Additional Amounts, if any, on the Notes is or would be on the next succeeding due date for a payment with respect to the Notes subject to withholding or deduction for taxes imposed by a Relevant Jurisdiction or any authority therein or thereof having power to tax;

and such obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be. Prior to any such redemption, the Issuer shall deliver to the Trustee: (A) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred; and (B) an opinion in form and substance satisfactory to the Trustee of independent tax advisers of recognized standing to the effect that the Issuer or (as the case may be), the Guarantor has or will become obliged to pay such Additional Amounts or (as the case may be), the Guarantor or any wholly owned subsidiary of the Guarantor has or will become obliged to make such withholding or deductions as a result of such change or amendment.

The Trustee shall be entitled to accept such Officer's Certificate and opinion of counsel as conclusive evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the holders of the Notes.

Repurchase Upon a Change of Control Triggering Event

Unless previously redeemed under "– *Redemption*" above, upon a Change of Control Triggering Event, the Issuer will be required to make an offer to repurchase all of the Notes at a price in cash equal to 101% of the principal amount of the Notes repurchased together with accrued and unpaid interest on the principal amount of Notes being repurchased to but excluding the date of repurchase as set forth below (a "**Change of Control Offer**").

Within 30 days following any Change of Control Triggering Event, the Issuer will be required to give written notice to holders describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase all of the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is given.

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

A holder will have no right to require the Issuer to repurchase portions of Notes if it would result in the issuance of new Notes, representing the portion not repurchased, in an amount of less than US$200,000.

The Issuer will comply with the requirements of applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred unless an officer of the Trustee has received written notice of the occurrence of such event. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for purchase under a Change of Control Offer and will not be responsible to the holders for any loss arising from any failure by it to do so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the amount payable under a Change of Control Offer and will not be responsible to the holders for any loss arising from any failure by it to do so.

Purchases

The Issuer, the Guarantor and their respective affiliates may at any time and from time to time purchase Notes in the open market or otherwise, subject to applicable law. Such Notes may, at the option of the Issuer, the Guarantor or the relevant affiliate, be held or surrendered to the Registrar for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their respective affiliates, shall not entitle the holder to vote at any meeting of holders and shall not be deemed to be outstanding for the purpose of calculating the quorum at such a meeting.

Taxation

All payments of principal and interest in respect of the Notes, and all payments pursuant to the Guarantee, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the holders of the Notes of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts will be payable in respect of any Note:

(1) to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(2) which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such Additional Amounts on surrender of such Note for payment on the last day of such period of 30 days. "**Relevant Date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders of the Notes; or

(3) to a holder (or to a third party on behalf of a holder) who would have been able to avoid such withholding or deduction by duly presenting the Note (where presentation is required) to another paying agent; or

(4) with respect to any tax, duty, assessment or other governmental charge that would not have been imposed but for the failure of the holder or beneficial owner to comply with a timely request of the Issuer or the Guarantor addressed to the holder or beneficial owner to provide certification or information concerning the nationality, residence or identity of the holder or beneficial owner of the Note, if compliance is required as a precondition to relief or exemption from the tax, duty assessment or governmental charge; or

(5) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (1) through (4).

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

Notwithstanding any other provision of the Indenture, any amounts to be paid on the Notes by or on behalf of the Issuer or the Guarantor will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer, the Guarantor, the Trustee, the Paying Agent nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

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

Certain Covenants

Limitation on Liens

So long as any Note remains outstanding (as defined in the Indenture), each of the Issuer and the Guarantor will not, and the Guarantor will not permit any of its other Subsidiaries incorporated outside of the PRC (except any Listed Subsidiary) to, create or permit to subsist any mortgage, pledge, lien, charge, encumbrance or any other security interest ("**Lien**") upon the whole or any part of its property or assets, present or future, to secure any Indebtedness (or to secure for the benefit of the holders thereof any guarantee or indemnity in respect thereof) without, in any such case, effectively providing that the Notes and the Guarantee will be secured equally and ratably with or prior to such Indebtedness (or such guarantee or indemnity in respect thereof), unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (other than the Indebtedness secured by Liens described in clauses (1) through (7) below) would not exceed 10% of the Guarantor's Tangible Net Worth.

The foregoing restriction will not apply to:

(1) any Lien existing on or prior to the date of issue of the Notes;

(2) any Lien existing on any property or asset prior to the acquisition thereof by the Issuer, the Guarantor or any other Subsidiary of the Guarantor or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(3) any Lien on any property or asset securing Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof (including, in the case of the acquisition of the equity interests of an entity in which the acquisition is financed by Indebtedness, a Lien on such equity interests and a Lien on the property or assets of such entity acquired); **provided that** such Lien attaches to such property or assets concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;

(4) any Lien securing Indebtedness owing to or held by the Issuer or the Guarantor;

(5) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;

(6) Liens on money paid to or money or securities deposited with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Issuer, the Guarantor or any other Subsidiary of the Guarantor in respect of Indebtedness (**provided that** such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full); or

(7) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses; **provided that** such Indebtedness is not increased and is not secured by any additional property or assets.

Filing with NDRC

Pursuant to Enterprise Foreign Debt Registration Certificate (Fa Gai Ban Wai Zi Bei [2020] No. 214) (企業借用外債備案登記證明(發改辦外資備[2020]214號)) (the "**Certificate**") issued by the National Development and Reform Commission ("**NDRC**"), Sinochem Group (as defined herein), the ultimate parent of the Company, has been granted a quota of foreign debt by the NDRC on April 17, 2020 (the "**Quota**"). The Issuer has obtained the permission to utilize the Quota for the purpose of the issue of the Notes pursuant to an authorization letter issued by Sinochem Group (the "**Authorization Letter**") on July 20, 2020. Pursuant to the Certificate, as the Notes will be issued within the Quota, none of the Issuer, the Company or Sinochem Group is required to complete the pre-issuance registration in respect of the Notes with the NDRC but is still required to file with the NDRC the requisite information on the issuance of the Notes after the issuance of such Notes. The Company intends to provide the requisite information on the issuance of the Notes to the NDRC within the time period prescribed by the Certificate, the terms of the Quota and the applicable requirements of Sinochem Group relating to such filing.

Consolidation, Merger and Sale of Assets

The Issuer, without the consent of a majority of the holders of the Notes, may consolidate with, merge into, or sell, transfer, lease or convey its assets substantially as an entirety to any other entity, **provided that** (i) any successor entity expressly assumes the Issuer's obligations (including payment of additional amounts, if any, resulting from any entity succeeding the Issuer, and **provided that** if the successor entity is organized under the laws of a jurisdiction other than a Relevant Jurisdiction, reference to such successor jurisdiction shall be added to the definition of "Relevant Jurisdiction" under "– *Redemption*" and "– *Taxation*") under the Notes and the Indenture, (ii) after giving effect to the transaction, no Event of Default (as defined below) and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and (iii) the other conditions specified in the Notes are satisfied.

The Guarantor, without the consent of a majority of the holders of the Notes, may consolidate with, merge into, or sell, transfer, lease or convey its assets substantially as an entirety to any other entity, **provided that** (i) any successor entity expressly assumes the Guarantor's obligations (including payment of additional amounts, if any, resulting from any entity succeeding the Guarantor, and **provided that** if the successor entity is organized under the laws of a jurisdiction other than a Relevant Jurisdiction, reference to such successor jurisdiction shall be added to the definition of "Relevant Jurisdiction" under "– *Redemption*" and "– *Taxation*") under the Notes, the Guarantee and the Indenture, (ii) after giving effect to the transaction, no Event of Default (as defined below) and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and (iii) the other conditions specified in the Notes are satisfied.

The successor entity will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Guarantor (as the case may be) under the Indenture, and the predecessor company shall be released from the obligation to pay the principal of, premium, if any, and interest on the Notes.

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.

Issuer

The Guarantor shall ensure that the Issuer (or any successor entity) shall at all times remain a wholly-owned subsidiary of the Guarantor. The Issuer's activities are limited to (i) issuing debt securities (such as the Notes), (ii) on-lending the proceeds of such issuances to the Guarantor and (iii) activities incidental to the carrying out of the actions set forth in clauses (i) to (ii) above.

Reports

So long as any of the Notes remain outstanding, the Guarantor will file with the Trustee in the English language:

(1) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Guarantor, 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 auditors;

(2) as soon as they are available, but in any event within 90 calendar days after the end of the first semi-annual fiscal period of the Guarantor, copies of its unaudited financial statement (on a consolidated basis) in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited consolidated financial statements of the Guarantor together with a certificate signed by the person then authorized to sign financial statements on behalf of the Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Guarantor as at the end of, and the results of its operations for, the relevant semi-annual period; and

(3) as soon as possible and in any event within 10 days after the Guarantor becomes aware of the occurrence thereof, written notice of the occurrence of any event or condition which constitutes, or which, after notice or lapse of time or both, would become, an Event of Default and an officer's certificate of the Guarantor setting forth the details thereof and the action the Guarantor is taking or proposes to take with respect thereto,

provided that if at any time the Capital Stock of the Guarantor is listed for trading on a recognized stock exchange, the Guarantor will file with the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Guarantor are filed with any recognized exchange on which the Guarantor's Capital Stock is at any time listed for trading, true and correct copies in the English language of any financial or other report filed with such exchange in lieu of the reports identified in clauses (1) and (2) above.

Events of Default

With respect to the Notes, the occurrence and continuance of the following events will constitute events of default ("**Events of Default**"):

(1) default in any payment of interest on any Note on the date such amount is due and payable, **provided that** such default shall continue for 30 days;

(2) default in the payment of principal of, or premium, if any, on any Note on the date such amount is due and payable, upon optional redemption, required repurchase, acceleration or otherwise;

(3) failure by the Issuer or the Guarantor to comply with its obligations under the covenants described under "*– Certain Covenants – Filing with NDRC*" or "*– Certain Covenants – Consolidation, Merger and Sale of Assets*";

(4) failure by the Issuer to comply, for 45 days after written notice by the holders of 25% or more of the aggregate principal amount of the outstanding Notes, with any of its obligations under the covenants described under "*– Repurchase Upon a Change of Control Triggering Event*" or the covenants described under "*– Certain Covenants*" (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above and other than a failure to comply with "*– Certain Covenants – Filing with NDRC*" or "*– Certain Covenants – Consolidation, Merger and Sale of Assets*" under clause (3) above);

(5) failure by the Issuer or the Guarantor to comply, for 60 days after written notice by the holders of 25% or more of the aggregate principal amount of the outstanding Notes, with its other agreements contained in the Indenture;

(6) default under any Indebtedness of the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries (or the payment of which is guaranteed by the Guarantor or any of the Guarantor's Significant Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default results in the acceleration of such Indebtedness prior to its maturity, and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which the maturity of which has been so accelerated, equals or exceeds the greater of US$20 million (or its equivalent in other currencies) and 2.5% of the Guarantor's Tangible Net Worth;

(7) (i) the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries (a) commences a voluntary case or proceeding under any applicable Bankruptcy Law in respect of itself, (b) consents to the entry of judgment, decree or order for relief against it in an involuntary case or proceeding under any applicable Bankruptcy Law, (c) consents to the appointment of a Receiver of it or for any substantial part of its property and assets, (d) makes a general assignment for the benefit of its creditors, (e) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it; or (f) takes any corporate action to authorize or effect any of the foregoing; or (ii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (x) is for relief in an involuntary case against the Issuer, the Guarantor or such Significant Subsidiary, as the case may be, (y) appoints a Receiver for all or substantially all of the property and assets of the Issuer, the Guarantor or such Significant Subsidiary, as the case may be, or (z) orders the winding up or liquidation of the Issuer, the Guarantor or such Significant Subsidiary, as the case may be; and in each case under this clause (ii) such order, decree or relief has not been discharged or stayed for a period of 90 days, except (in each instance in sub-paragraphs (i) and (ii)) in the case of a Significant Subsidiary, following the purposes of or pursuant to a reconstruction, amalgamation, reorganization, merger or consolidation whilst solvent, whereby all the undertaking and assets of such Significant Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor or another Significant Subsidiary;

(8) failure by the Issuer, the Guarantor or any of the Guarantor's Significant Subsidiaries to pay one or more final judgments from a court of competent jurisdiction in the PRC, the British Virgin Islands, Hong Kong, or a member country of the Organization for Economic Cooperation and Development, aggregating in excess of the greater of US$20 million (or its equivalent in other currencies) and 2.5% of the Guarantor's Tangible Net Worth (net of any amounts that are covered by insurance policies issued by solvent carriers), which judgments are not paid, discharged or stayed for a period of 60 days; or

(9) the Guarantee shall cease to be in full force or effect or the Guarantor shall deny or disaffirm its obligations under the Guarantee.

If an Event of Default (other than an Event of Default described in clause (7) above) occurs and is continuing, the Trustee by notice to the Issuer, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Issuer and the Trustee, may, and the Trustee at the written request of such holders shall (subject to receiving indemnity and/or security and/or prefunding to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Issuer, the Guarantor or any of the Guarantor's

Subsidiaries or waived by the appropriate portion of holders of the relevant Indebtedness within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. In the event of any such automatic annulment, the Issuer shall provide written notice thereof to the Trustee with an Officer's Certificate certifying the matters addressed in (1) and (2) of the preceding sentence. The Trustee may rely upon any such notice and Officer's Certificate and may also assume, in the absence of any such notice and Officer's Certificate, that such automatic annulment has not taken place. If an Event of Default described in clause (7) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to nonpayment of principal, premium or interest) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) 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.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture unless security and/or indemnity and/or prefunding satisfactory to the Trustee against any loss, liability or expense shall have been offered to the Trustee. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount of the outstanding Notes have requested (in writing) the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity and/or prefunding satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security and/or indemnity and/or prefunding; and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction (in writing) that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders of the Notes unless such holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action.

The Guarantor is required to deliver to the Trustee (i) within 90 days after the end of each fiscal year, a certificate indicating whether the Authorized Officers thereof know of any Default that occurred during the previous year and (ii) within 14 days of a written request from the Trustee, a certificate indicating whether the Authorized Officers thereof know of any Default that occurred since the date of the last certificate.

The Guarantor is also required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events which would constitute certain defaults, their status and what action the Guarantor is taking or proposing to take in respect thereof.

The Trustee and the Paying Agent need not do anything to ascertain whether any Default has occurred or is continuing and will not be responsible to holders of the Notes or any other person for any loss arising from any failure by it to do so, and, except for Events of Default described in paragraphs (1) or (2) under "– *Events of Default*" (only to the extent that the Trustee acts as the Paying Agent), unless and until the Trustee or the Paying Agent otherwise has received notice in writing to the contrary, the Trustee or the Paying Agent may assume that no such event has occurred and that the Issuer and the Guarantor are performing all of their respective obligations under the Indenture, the Notes and the Guarantee.

Amendments and Waivers

Subject to certain exceptions, the Indenture and the Notes may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of holders of 75% of the principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), no amendment may, among other things:

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the stated maturity of any Note;

(4) reduce the premium payable upon the redemption or repurchase of any Note or change the time at which any Note may be redeemed or required to be repurchased as described above under "– *Redemption*" or "– *Repurchase Upon a Change of Control Triggering Event*", whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder to receive payment of principal of, premium, if any, and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes; or

(7) make any change in the amendment provisions which require consent of holders of at least 75% in principal amount of the Notes or in the waiver provisions.

Notwithstanding the foregoing, without the consent of any holder, the Issuer, the Guarantor and the Trustee may amend the Indenture and the Notes to:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) provide for the assumption by a successor corporation of the obligations of the Issuer or the Guarantor (or any previous successor corporation) under and in accordance with the Indenture;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes;

(4) add guarantees with respect to the Notes;

(5) secure the Notes;

(6) add to the covenants of the Issuer or the Guarantor for the benefit of the holders or surrender any right or power conferred upon the Issuer or the Guarantor;

(7) make any change that does not materially adversely affect the rights of any holder;

(8) conform the text of the Indenture to any provision of this "*Description of the Notes*" to the extent that the relevant provision in the Indenture was intended to be a verbatim recitation of the relevant provision of this "*Description of the Notes*″; or

(9) provide for the appointment of a successor trustee, **provided that** the successor trustee be otherwise qualified and eligible to act as such under the terms of the Indenture.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment.

Defeasance and Covenant Defeasance

The Indenture provides that the Issuer and the Guarantor, at the option of the Issuer and the Guarantor, (i) will be deemed to have been discharged from any and all obligations in respect of the Notes (except for certain obligations to pay any Additional Amounts (as described above under "– *Taxation*") then unknown, to register the transfer of or exchange Notes, to replace stolen, lost, destroyed or mutilated Notes upon satisfaction of certain requirements (including, without limitation, providing such security and/or indemnity as the Trustee may require), to maintain paying agents and to hold certain monies in trust for payment) or (ii) need not comply with certain restrictive covenants of the Notes (including those described under "– *Certain Covenants*" and clauses (6) (cross acceleration) and (8) (judgment default) under "– *Events of Default*" above), in each case if the Issuer or the Guarantor deposits, in trust with the Trustee, money in an amount, or U.S. Government Obligations that through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or a combination thereof, in each case sufficient to pay all the principal of, interest on, and any Additional Amounts known at such time and required to be paid with regard to, the Notes, on the dates such payments are due in accordance with the terms of the Indenture and the Notes.

Concerning the Trustee and the Agents

The Bank of New York Mellon, London Branch is to be appointed as the Trustee under the Indenture and is to be appointed by the Issuer as Paying Agent with respect to the Notes. The Bank of New York Mellon SA/NV, Luxembourg Branch is to be appointed by the Issuer as Registrar and as Transfer Agent with respect to the Notes.

The Trustee shall have discretion or permissive power and it may decline to exercise the same in the absence of approval by the holders of the Notes and need not exercise the same unless it has been indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims, actions or demands to which it may render itself liable and all costs, damages, charges, expenses and liabilities which it may incur by so doing.

Obligation Currency

The Issuer's obligation under the Notes to make all payments in U.S. dollars (the "**Obligation Currency**") will not be satisfied by any payment, recovery or any other realization or proceeds in any currency other than the Obligation Currency. The Issuer has agreed to indemnify the Trustee and the holders of the Notes in U.S. dollars for any shortfall in the aggregate amount of Obligation Currency actually received by such holders and the aggregate amount of payments due and payable.

Prescription

Any monies paid by the Issuer or the Guarantor to the Paying Agent for the payment of the principal of or interest on any Notes and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable shall then be repaid to the Issuer or the Guarantor, as the case may be, and upon such repayment, all liability of the Paying Agent with respect to such monies shall thereupon cease and any holder representing a claim therefor shall thereafter look only to the Issuer or the Guarantor for payment thereof.

Under New York law, any legal action upon the Notes must be commenced within six years after the payment thereof is due. Thereafter, the Notes will generally become unenforceable.

Governing Law

The Indenture, the Notes and the Guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the Issuer and the Guarantor has consented to the jurisdiction of the state and federal courts in the Borough of Manhattan, the State and City of New York, United States of America, with respect to any action that may be brought in connection with the Notes, the Guarantee or the Indenture and has appointed Cogency Global Inc. as its authorized agent upon whom process may be served in any such action.

Waiver of Immunity

To the extent that the Issuer or the Guarantor have or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (including any immunity from non-exclusive jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property, each of the Issuer and the Guarantor irrevocably waives, to the fullest extent permitted under applicable law, any such right of immunity or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any action or proceeding against it arising out of or based on the Notes, the Guarantee or the Indenture.

Book-Entry, Delivery and Form

The Notes will be represented by a global certificate in registered form (the "**Global Certificate**") without interest coupons attached. The Global Certificate 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.

Global Certificate

Ownership of beneficial interests in the Global Certificate (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 the Global Certificate 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 Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrar 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 Certificate

Payments of any amounts owing in respect of the Global Certificate (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures.

Under the terms of the Indenture, the Issuer, the Guarantor and the Trustee will treat the registered holder of the Global Certificate (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 Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents has or will have any responsibility or liability for:

(1) 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

(2) 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 Notes

For so long as any of the Notes are represented by the Global Certificate, if any such Note, or any portion thereof, is redeemed, each of Euroclear and Clearstream will distribute the amount received by it in respect of the Note so redeemed to the holders of the book-entry interests in the Global Certificate. 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 Certificate (or any portion thereof). We understand that under existing practices of Euroclear and Clearstream, no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part and that 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 and a new Global Certificate in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Global Certificate.

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 Certificate 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 Certificate. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Certificate for definitive Note Certificates, and to distribute such definitive Note Certificates 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 beneficial owner requires physical delivery of individual definitive Note Certificates 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 beneficial owner must transfer its interest in the Global Certificate 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 Certificate that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Certificate will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Certificate and become a book-entry interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Certificate 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 immediately available funds. Since the purchasers determine the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchasers' 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 Issuer, the Guarantor, the Trustee, the Paying Agent, the Transfer Agent, the Registrar 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) 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 (2) any of the Notes has become immediately due and payable in accordance with "– *Events of Default*" and the Issuer has received a written request from a holder of the Notes, the Issuer will issue definitive Note Certificates in registered form in exchange for the Global Certificate. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Certificate for definitive Note Certificates and cause the requested definitive Note Certificates 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 Certificate for definitive Note Certificates will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Registrar to complete, execute and deliver such definitive Note Certificates. In all cases, definitive Note Certificates delivered in exchange for any Global Certificate or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Definitive Note Certificates will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

Notices to holders will be mailed to them at their respective addresses in the Note Register. Any such notice will be deemed to have been given on the fourth day after being so mailed. So long as and to the extent that the Notes are represented by a Global Certificate and such Global Certificate is held by a common depositary for Euroclear and Clearstream, notices to owners of beneficial interests in the Global Certificate may be given by delivery of the relevant notice to Euroclear and Clearstream for communication to entitled account holders.

Certain Definitions

"**Agent**" means any of the Registrar, the Paying Agent or the Transfer Agent.

"**Authorized Officer**" means (i) with respect to the Issuer, any director or officer of the Issuer and (ii) with respect to the Guarantor, any director or officer of the Guarantor, in each case as may be specified from time to time by the Issuer or the Guarantor, as the case may be, by delivery to the Trustee of one or more executed authorization certificates.

"**Bankruptcy Law**" means any applicable bankruptcy, insolvency or other similar law now or hereafter in effect.

"**Board of Directors**" means, with respect to any Person, the board of directors of such Person or any duly authorized committee thereof.

"**Capital Stock**" means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity.

"**Change of Control**" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the assets of the Guarantor and its Subsidiaries, taken as a whole, to any "person" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) other than to the Guarantor or one or more of its Subsidiaries;

(2) the Guarantor consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Guarantor, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Guarantor or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Guarantor outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the outstanding shares of Voting Stock of the surviving Person immediately after giving effect to such transaction; or

(3) (a) the government of the People's Republic of China or Persons owned and controlled by the government of the People's Republic of China ceasing to own and control (directly or indirectly or in combination) at least 50.1% of Sinochem Group, or (b) Sinochem Group or its Subsidiaries, collectively, ceasing to be the Controlling Shareholder and the largest shareholder of the Guarantor.

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

"**Controlling Shareholder**" means, with respect to the Guarantor, the Person or group of Persons who is or are entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong, as amended from time to time, as being the level for a mandatory general offer) or more of the voting power at general meetings of the Guarantor or who is or are in a position to control the composition of a majority of the board of directors of the Guarantor.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**holder**" means a Person in whose name a Note is registered in the Note Register.

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

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

"**Listed Subsidiary**" means, at any time, any Subsidiary of the Guarantor the Voting Stock of which is at such time listed, quoted or admitted on a recognized stock exchange and any such Listed Subsidiary's Subsidiaries.

"**Make Whole Amount**" means, with respect to a Note at any redemption date, the sum of (i) the present value of the principal amount of such Note, assuming a scheduled repayment thereof on the First Par Call Date, plus (ii) the present value of the remaining scheduled payments of interest to and including the First Par Call Date, in each case discounted to the redemption date at the Treasury Yield plus 0.35%.

"**New York Business Day**" means a day on which commercial banks are open for business in The City of New York.

"**Note Register**" means the register of the Notes maintained by the Registrar.

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

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

"**Rating Agencies**" means (1) S&P Global Ratings, a division of S&P Global Inc., and its successors ("**S&P**"); (2) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); (3) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors ("**Fitch**"); and (4) if one or more of S&P, Moody's or Fitch shall not make a rating of the Guarantor publicly available, a United States nationally recognized securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be.

"**Rating Agency**" means each of the Rating Agencies.

"**Rating Date**" means 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 Guarantor or any other Person or Persons to effect a Change of Control.

"**Rating Decline**" means, if the Guarantor is on the Rating Date rated Investment Grade by two or more Rating Agencies, the Guarantor ceases to be rated Investment Grade by at least two of such Ratings Agencies on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Guarantor or any other person or persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Guarantor is under publicly announced consideration for possible downgrade by any of the Rating Agencies).

"**Receiver**" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

"**Relevant Jurisdiction**" means the British Virgin Islands, Hong Kong or the PRC (or any political subdivision or taxing authority thereof or therein).

"**SEC**" means the United States Securities and Exchange Commission.

"**Significant Subsidiary**" means any Subsidiary that would be a "significant subsidiary" of the Guarantor within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"**Subsidiary**" means in relation to any person and at any particular time any entity of which more than 50% of the issued share capital is then beneficially owned by such person and/or one or more of its Subsidiaries or any company or other business entity which at any time has its accounts consolidated with those of that person under the laws or regulations of Hong Kong or Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as amended from time to time.

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

(1) plus any subordinated shareholders' loans and any amount standing to the credit of the profit and loss account of the Guarantor as at the last day of that relevant period (to the extent such amount is not reflected in the reserves of the Guarantor referred to above);

(2) less (i) goodwill and other intangible assets and (ii) minority interests.

"**U.S. dollars**" or "**US$**" refers to the lawful currency of the United States.

"**Treasury Yield**" means:

(1) the yield, under the heading which represents the average for the week immediately preceding the date on which such yield is calculated, 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, available on the world-wide-website of the Board of Governors Federal Reserve System at http://www.federalreserve.gov/releases/h15/, or any successor site, or, failing which, on Bloomberg pages PX1, PX2 and PX3 and which establishes a yield for actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", with a maturity comparable to the time period between the redemption date and the First Par Call Date (the "**Remaining Maturity**"), (if no maturity falls within three months before or after the Remaining Maturity, yields for the two published maturities most closely corresponding to the Remaining Maturity shall be determined and the Treasury Yield shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month); or as such aforesaid yield is displayed on the Moneyline Telerate Page 7051 (or such other page which may replace that page on that service or a successor service); or

(2) in the event that such yield referred to in paragraph (1) above does not appear in such statistical release or any successor publication, site, page servicer or any successor thereto during the week preceding the date on which the Guarantor determines the Make Whole Amount (which shall be the fifth New York Business Day before the redemption date), the yield determined by the Guarantor as follows:

The Guarantor shall select and appoint, three or more primary U.S. Government securities dealers in New York City (a "**Primary Treasury Dealer**") or their respective successors as reference dealer; **provided, however, that** if any of the foregoing ceases to be a Primary Treasury Dealer, the Guarantor shall substitute therefore another Primary Treasury Dealer selected by the Guarantor. The Guarantor shall also select and appoint one of the reference dealers as the quotation agent. The quotation agent will select a United States Treasury security having a maturity comparable to the Remaining Maturity, which would be used in accordance with customary financial practice to price new issues of corporate debt securities with a maturity comparable to the Remaining Maturity. The reference dealers will provide the Guarantor with the bid and asked prices for that comparable United States Treasury security as of 5:00 p.m. (New York City time) on the fifth New York Business Day before the redemption date. The Guarantor will calculate the average of the bid and asked prices provided by each reference dealer to obtain such reference dealer's quotation. The Guarantor will eliminate the highest and the lowest quotations and then calculate the average of the remaining quotations; **provided, however, that** if the Guarantor obtains fewer than four quotations, it will calculate the average of all the quotations without eliminating any of them. The average quotation is called the comparable treasury price. The applicable Treasury Yield will be the semi-annual equivalent yield to maturity of a security whose price is equal to the comparable treasury price, in each case expressed as a percentage of its principal amount. Absent any manifest error, the determination by the Guarantor of the Treasury Yield in accordance with the procedures set forth above will be final and binding.

"**Voting Stock**" of any specified Person as of any date means Capital Stock or other ownership interest that is at the time entitled to vote in the election of the members of the Board of Directors of such Person.

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a central parity 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 June 20, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate.

The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for trading against the Renminbi on the following business day. The central parity rate of the Renminbi rose to RMB6.1448 to US$1.00 on February 28, 2014, bringing the currency's total appreciation to approximately 24.89% since reform of the exchange rate system began in July 2005. In April 2012, the PBOC expanded the floating range of Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 0.5% to 1% and further expanded it to 2.0% in March 2014. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the Renminbi against the U.S. dollars. In 2018 and 2019, the Renminbi experienced further fluctuations in value and depreciated significantly against the U.S. dollar. On August 5, 2019, the PBOC set Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amid an uncertain trade and global economic climate.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars based on the noon buying rates as certified for customs purposes by the Federal Reserve Bank of New York.

Exchange Rate

	Exchange 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	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822

	Exchange Rate			
	Period End	Average[(1)]	High	Low
	(RMB per US$1.00)			
2020				
July	6.9744	7.0041	7.0703	6.9744
August	6.8647	6.9310	6.9799	6.8647
September	6.7896	6.8106	6.8474	6.7529
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 (through March 19)	6,5070	6,4950	6,5250	6,4648

(1) Annual averages are calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages or average for a period are calculated by using the average of the daily rates during the relevant month or period.

TAXATION

The following summary of certain tax provisions under Hong Kong, British Virgin Islands and PRC law is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

Prospective investors (particularly those subject to specific tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

Hong Kong Taxation

Withholding tax

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

Profits tax

Hong Kong profits tax is chargeable to every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

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

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

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

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

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

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

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and where the sum has a Hong Kong source. The source of such sums will generally be determined by considering the manner in which the Notes are acquired and disposed of.

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

Stamp Duty

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

British Virgin Islands Taxation

The following summary contains a description of the principal tax laws of the British Virgin Islands, as in effect on the date hereof, and is subject to any change in the tax laws of the British Virgin Islands that may come into effect after such date (which may have retroactive effect).

Income Tax

As of the date of this offering circular, the Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands, including with respect to all interest payable by the Issuer to persons who are not persons resident in the British Virgin Islands. No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer.

Withholding Tax

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the Notes.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes, and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Enterprise Income Tax

Under the Enterprise Income Tax Law (the "**EIT Law**"), an enterprise established outside of China with a "*de facto* management body" within China is deemed a "resident enterprise," meaning that it is treated in a manner similar to a PRC enterprise for enterprise income tax purposes. Dividends paid from one resident enterprise to another may qualify as "tax-exempt income." The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on April 22, 2009 and further amended on December 29, 2017, provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with a "*de facto* management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. Pursuant to a circular issued by the State Administration of Taxation, a foreign enterprise controlled by a PRC company group shall be deemed a "resident enterprise" by the State Administration of Taxation upon application of the foreign enterprise or upon investigation by the relevant tax authorities.

The Company and the Issuer are currently not treated as PRC enterprises by the relevant tax authorities. The Company and the Issuer cannot assure that they will not be deemed a "resident enterprise" under the EIT Law, any aforesaid circulars or any amended regulations in the future. If the Company or the Issuer is treated as a PRC "resident enterprise," the interest the Company or the Issuer pays in respect of the Notes or the Guarantee may be subject to PRC withholding tax at a rate of 10% if paid to a non-PRC resident enterprise holder of the Notes and a PRC tax rate of 20% if paid to a non-PRC resident individual holder of the Notes, and any gain a holder may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at a rate of up to 10% in the case of a non-PRC resident enterprise holder and a PRC tax rate of 20% in the case of a non-PRC resident individual holder (in each case unless an applicable treaty provides otherwise). No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

Stamp Duty

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

The proposed financial transactions tax ("FTT")

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common 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.

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. The issuance and subscription of Notes should, however, be exempt.

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 which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. 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

Subject to the terms and conditions stated in the purchase agreement between the Issuer, the Company and the Initial Purchasers dated March 30, 2021 (the "**Purchase Agreement**"), the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, US$600,000,000 aggregate principal amount of the Notes set forth opposite its name in the table below.

The Initial Purchasers	**Principal Amount of the Notes**
Citigroup Global Markets Limited	US$150,000,000
J.P. Morgan Securities plc	US$150,000,000
BOSC International Company Limited	US$150,000,000
The Bank of East Asia, Limited	US$150,000,000
Total	US$600,000,000

The obligations of the Initial Purchasers under the Purchase Agreement are several and not joint. The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering circular. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell the Notes through certain of their affiliates. 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 their affiliate on behalf of the Issuer in such jurisdiction.

In the purchase agreement, the Issuer and the Company have agreed that:

- they will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act of 1933, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities; and

- the obligations of the Initial Purchasers are subject to certain conditions precedent and the Initial Purchasers are entitled to terminate the purchase agreement in certain circumstances prior to payment being made to the Issuer.

The Initial Purchasers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its or their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Company and/or its subsidiaries.

The Initial Purchasers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes. The Initial Purchasers or their respective affiliates may purchase the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Notes and the Guarantee Are Not Being Registered

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States and may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**").

No Sales of Similar Notes

Each of the Issuer and the Company has agreed that it will not, during the period from the date of the Purchase Agreement through and including the date that is five days after the closing date, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities or perpetual capital securities outside the PRC (which exclude, for the avoidance of doubt, offering, sales, contract to sell or disposal of any such securities solely in the PRC, bank loans, including bilateral and syndicated loans, club deals or the Notes) issued or guaranteed by either of the Issuer or the Guarantor and having a tenor of more than one year.

Short Positions and Stabilizing Transactions

In connection with the offering, any of the Initial Purchasers, appointed as the stabilization manager (the "**Stabilization Manager**"), may purchase and sell the Notes in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing purchases. Short sales involve the sale by the Stabilization Manager of a greater principal amount of the Notes than they are required to purchase in the offering. The Stabilization Manager must close out any short position by purchasing the Notes in the open market. A short position is more likely to be created if the Stabilization Manager is concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions involve bids to purchase the Notes so long as the stabilizing bids do not exceed a specified maximum.

Similar to other purchase transactions, the Stabilization Manager's purchases to cover the syndicate short sales and stabilizing purchasers may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

None of the Issuer, the Company or the Stabilization Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, none of the Issuer, the Company or the Stabilization Manager makes any representation that the Stabilization Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

Selling Restrictions

General

No action is being taken or is contemplated by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the Guarantee or possession or distribution of any offering circular or any amendment thereof, any supplement thereto or any other offering material relating to the Notes or the Guarantee in any jurisdiction where, or in any other circumstance in which, action for those purposes is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither the offering circular or any amendment thereof, any supplement thereto or any other offering material relating to the Notes or the Guarantee may be distributed or published by the Issuer, the Company or the Initial Purchasers in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Company or the Initial Purchasers.

United States

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States and may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms defined in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes and the Guarantee are being offered and sold outside the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee, an offer or sale of Notes or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

The Initial Purchasers have represented and agreed that they have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes 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 the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

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

United Kingdom

The Initial Purchasers have represented and agreed that they have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For these 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 (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA or (ii) a customer within the meaning 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.

The Initial Purchasers have represented and agreed that (i) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor and (ii) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Initial Purchasers have represented and agreed that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes placed in this offering circular have not been registered and will not be registered under the Financial Instruments and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

PRC

This offering circular does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC, to or for the benefit of, legal or natural persons of the PRC, except as permitted by the securities laws of the PRC.

British Virgin Islands

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the Notes.

This offering circular does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this offering circular 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 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

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

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

- to an institutional investor or to a relevant person as defined in Section 375(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;

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law;

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

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

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and 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).

ENFORCEABILITY OF CIVIL LIABILITIES

We are a limited liability company incorporated in Hong Kong. Substantially all of our businesses, assets and operations are located outside the United States. In addition, all of our directors and executive officers are residents of China or Hong Kong, and substantially all of the assets of such persons are located in China or Hong Kong. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the PRC or Hong Kong predicated upon the laws of jurisdictions other than the PRC or Hong Kong, including the civil liability provisions of the U.S. federal or state securities laws.

There is no legislation stipulating that there can be reciprocal enforcement of judgments between Hong Kong and the United States in Hong Kong. However, some judgments from a United States court can be enforced in Hong Kong at common law. Thus, there is doubt as to the enforceability in Hong Kong of a judgment obtained from a United States court.

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

The United States and the British Virgin Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability would not be automatically enforceable in the British Virgin Islands.

The Issuer has been advised by its British Virgin Islands legal advisers, Walkers, that, as a general matter, and subject to the standard assumptions and qualifications set out in the legal opinion of Walkers issued in connection with this matter, in the case of a final and conclusive judgment obtained against the Issuer in a court of a foreign country (with which no reciprocal arrangements with the British Virgin Islands exist or extend) for either a liquidated sum (not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations), or in certain circumstances, for in personam non-money relief, such judgment will be recognized and enforced in the courts of the British Virgin Islands (the "**Courts**") without any re-examination of the merits at common law, by an action commenced on the foreign judgment in the Courts.

With reference to the above paragraph, in each case, the Courts would enforce the relevant judgment, in the manner set out above, **provided that**:

(a) the judgment had not been wholly satisfied;

(b) such court had jurisdiction in the matter and the Company either submitted to the jurisdiction of the foreign court or was resident or carrying on business within such jurisdiction and was duly served with process;

(c) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of a court;

(d) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy or for some other similar reason the judgment could not have been entertained by the Courts; and

(e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

GENERAL INFORMATION

Documents Available

For so long as any of the Notes are outstanding, the Indenture in respect of the Notes may be inspected free of charge upon prior written request and satisfactory proof of holding during normal business hours (being between 9:00 am and 3:00 pm) on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the past two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the principal registered office of the Company.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream under the Common Code number 220893537 and the International Securities Identification Number for the Notes is XS2208935374. Only Notes evidenced by a Global Certificate have been accepted for clearance through Euroclear and Clearstream. The Issuer's Legal Entity Identifier (LEI) Code is 549300E3ZP4GOU3D4G57.

Listing of the Notes

Application will be made for the listing of Notes by way of debt issues to Professional Investors only on the SEHK. The SEHK takes no responsibility for the correctness of any statements made on opinions or reports contained in this offering circular. Admission of the Notes to the official list of the SEHK is not to be taken as an indication of the merits of the Notes or us.

Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business such as disputes with tenants of the Company's office and commercial properties and disputes with the owners of units in residential properties.

No Material Adverse Change

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Company since December 31, 2020.

INDEX OF FINANCIAL STATEMENTS

Audited consolidated financial statements as of and for the year ended December 31, 2020

Audited consolidated financial statements as of and for the year ended December 31, 2019

Independent Auditor's Report

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of China Jinmao Holdings Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Jinmao Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 168 to 311, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
The Group adopted the fair value model for its investment properties in accordance with HKAS 40 *Investment Property*. Changes in fair values were recognised in profit or loss. The valuations on the investment properties of the Group as at 31 December 2020 were determined by management or independent appraisers engaged by management. Different valuation techniques were applied to these investment properties. As both the year-end balance of RMB33,315,404,000 and the changes in fair value of RMB906,121,000 were significant, and the valuation involved management judgement and estimates based on a projection of future rental income, growth rate, vacancy rate, discount rate and reversionary yield, we considered the revaluation of investment properties a key audit matter of our audit. Relevant disclosures are included in notes 3 and 18 to the consolidated financial statements.	We considered the competence, capabilities and objectivity of the external appraisers. We involved our real estate valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples. We compared market rental assumptions against actual rents of existing lease contracts and external market rents, expected vacancy rate against historical data maintained by the Group, and the discount rate, the growth rate and reversionary yield against those of peers with similar nature and area of properties. We also assessed the adequacy of the disclosures of investment properties, including valuation sensitivity and the fair value hierarchy.
Impairment assessment of trade receivables	
As at 31 December 2020, the carrying amount of trade receivables of the Group was RMB446,776,000, arising from its land development revenue, the sale of properties, leasing activities, the provision of hotel and property management services. The Group recognises an impairment provision based on the expected credit loss ("ECL") approach under HKFRS 9 *Financial Instruments*. The measurement of ECL requires the application of significant judgement and estimate, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment. Relevant disclosures are included in notes 3 and 24 to the consolidated financial statements.	Our audit procedures included the assessment of the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses. We also assessed the reasonableness of management's expected credit loss allowance by examining the information used by management to form such judgement and estimate, including checking the accuracy of the historical default information, and evaluating whether the historical loss rates were appropriately adjusted based on current economic conditions and forward-looking information. We also evaluated the Group's provision for trade receivables by reference to the Group's subsequent collection of the trade receivables.

Key audit matter	How our audit addressed the key audit matter
Assessment of carrying values of properties for sale held by the Group, its associates and joint ventures	**For properties for sale held by the Group**
As at 31 December 2020, the total carrying value of Group's properties for sale, including properties under development and properties held for sale, amounted to RMB158,228,599,000. Besides, as at 31 December 2020, the total carrying value of the amounts due from associates and joint ventures amounted to RMB40,243,544,000. Given the properties for sale represents the majority of the total assets of these associates and joint ventures, management's assessment on ECL provision for the amounts due from these companies would take into account of carrying values of the properties for sale held by these companies. The assessment of carrying values of the properties for sale is complex because it involves significant management judgements and estimates regarding, among others, the net realisable value (the "NRV") of the properties for sale and anticipated construction costs to be incurred to complete properties under development based on existing plans. Relevant disclosures are included in notes 3, 6, 7, 15, 17 and 27 to the consolidated financial statements.	We understood, evaluated and tested the Group's key internal controls over the assessment of carrying values of properties for sale. In assessing the NRV of the properties for sale, we, on a sample basis, evaluated the appropriateness of their forecasted selling price based on current market price of properties of comparable locations and conditions, and on our knowledge of the Group's business and current market development in the real estate industry, where appropriate. For construction costs to be incurred to complete properties under development, we obtained an understanding of the management's process in estimating the future costs to completion for the properties under development and assessed the reasonableness of the budgeted construction costs, on a sample basis, by comparing to the actual development costs of similar projects recently completed by the Group and by checking to construction contracts and other relevant documents. We re-calculated the carrying values of properties for sale based on management's methodology at the year end.

Key audit matter	How our audit addressed the key audit matter
	For properties for sale held by the Group's associates and joint ventures We understood and assessed the Group's assessment of carrying values of the properties for sale held by its significant associates and joint ventures. In assessing the NRV of the properties for sale held by its significant associates and joint ventures, we, on a sample basis, evaluated the appropriateness of their forecasted selling price based on current market price of properties of comparable locations and conditions, based on our knowledge of the business of the significant associates and joint ventures and the current market development in the real estate industry, where appropriate. For construction costs to be incurred to complete properties under development, we obtained an understanding of the management's process in estimating the future costs to completion for the properties under development held by its significant associates and joint ventures, and assessed the reasonableness of the budgeted construction costs, on a sample basis, by checking to construction contracts and other relevant documents. We re-calculated the carrying values of properties for sale held by the Group's significant associates and joint ventures based on management's methodology at the year end.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
REVENUE	5	**60,053,878**	43,355,941
Cost of sales		**(47,939,514)**	(30,591,198)
Gross profit		**12,114,364**	12,764,743
Other income and gains	5	**8,698,685**	6,135,704
Selling and marketing expenses		**(1,600,582)**	(1,302,401)
Administrative expenses		**(3,529,395)**	(3,056,412)
Other expenses and losses, net	7	**(4,381,312)**	(6,916)
Finance costs	8	**(2,726,978)**	(2,270,766)
Share of profits and losses of:			
Joint ventures		**371,098**	722,390
Associates		**698,297**	(132,653)
PROFIT BEFORE TAX	6	**9,644,177**	12,853,689
Income tax expense	11	**(3,449,056)**	(4,195,030)
PROFIT FOR THE YEAR		**6,195,121**	8,658,659
Attributable to:			
Owners of the parent		**3,880,986**	6,481,751
Non-controlling interests		**2,314,135**	2,176,908
		6,195,121	8,658,659
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**RMB cents**	RMB cents
Basic		**31.86**	55.64
Diluted		**31.66**	55.39

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
PROFIT FOR THE YEAR		**6,195,121**	8,658,659
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,385,011**	(967,072)
Net (loss)/gain on cash flow hedges		**(56,645)**	81,517
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax		**2,328,366**	(885,555)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation	14	**–**	69,327
Income tax effect	36	**–**	(17,332)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**–**	51,995
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**2,328,366**	(833,560)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,523,487**	7,825,099
Attributable to:			
Owners of the parent		**6,241,210**	5,715,886
Non-controlling interests		**2,282,277**	2,109,213
		8,523,487	7,825,099

Consolidated Statement of Financial Position

31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**11,307,055**	10,911,268
Properties under development	15	**59,355,429**	69,270,546
Land under development	16	**10,494,640**	10,705,213
Investment properties	18	**33,315,404**	31,260,683
Right-of-use assets	19(a)	**1,635,192**	1,614,306
Intangible assets	20	**107,472**	50,023
Investments in joint ventures	21	**16,319,443**	11,511,385
Investments in associates	22	**11,105,070**	7,597,657
Deferred tax assets	36	**3,052,845**	2,708,346
Due from non-controlling shareholders	30	**866,814**	1,069,839
Due from related parties	27	**14,413,792**	8,257,752
Other receivables and other assets	25	**410,581**	359,599
Long-term time deposit	29	**–**	3,300,000
Other financial assets	28	**146,669**	325,274
Total non-current assets		**162,530,406**	158,941,891
CURRENT ASSETS			
Properties under development	15	**79,473,565**	62,241,273
Properties held for sale	17	**19,399,605**	11,783,581
Land under development	16	**1,429,269**	1,990,602
Inventories	23	**175,892**	174,174
Trade receivables	24	**446,776**	1,445,864
Contract assets	26	**789,328**	267,009
Prepayments, other receivables and other assets	25	**38,075,532**	30,252,240
Due from related parties	27	**28,145,679**	38,264,973
Prepaid tax		**4,711,321**	4,062,185
Other financial assets	28	**501,047**	1,077
Restricted bank balances	29	**8,622,174**	7,510,751
Cash and cash equivalents	29	**43,455,580**	17,945,788
Total current assets		**225,225,768**	175,939,517

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and bills payables	31	**21,906,848**	19,086,939
Other payables and accruals	32	**104,802,117**	82,790,873
Interest-bearing bank and other borrowings	34	**27,771,429**	26,991,435
Lease liabilities	19(b)	**96,548**	75,244
Due to related parties	27	**38,135,983**	31,903,445
Tax payable		**2,282,501**	2,574,728
Derivative financial instruments	33	**10,403**	18,133
Provision for land appreciation tax	35	**2,074,146**	3,290,135
Total current liabilities		**197,079,975**	166,730,932
NET CURRENT ASSETS		**28,145,793**	9,208,585
TOTAL ASSETS LESS CURRENT LIABILITIES		**190,676,199**	168,150,476
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**69,806,849**	69,580,251
Long-term payables		**71,996**	70,000
Lease liabilities	19(b)	**1,003,027**	120,365
Derivative financial instruments	33	**85,389**	34,991
Due to related parties	27	**11,053,950**	–
Deferred tax liabilities	36	**6,827,906**	5,910,515
Total non-current liabilities		**88,849,117**	75,716,122
Net assets		**101,827,082**	92,434,354
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**26,132,248**	21,250,860
Other reserves		**20,629,816**	24,697,500
		46,762,064	45,948,360
Non-controlling interests		**55,065,018**	46,485,994
Total equity		**101,827,082**	92,434,354

Li Congrui
Director

Jiang Nan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

		Attributable to owners of the parent											
	Notes	Share capital RMB'000 (Restated) (note 38)	Capital reserve RMB'000 (Restated) (note 40)	Asset revaluation reserve RMB'000 (Restated) (note 40)	PRC statutory surplus reserve RMB'000 (Restated) (note 40)	Exchange fluctuation reserve RMB'000 (Restated)	Hedging reserve RMB'000 (Restated) (note 40)	Share option reserve RMB'000 (Restated) (note 40)	Retained profits RMB'000 (Restated)	Merger Reserve RMB'000 (Restated)	Total RMB'000 (Restated)	Non-controlling interests RMB'000 (Restated)	Total equity RMB'000 (Restated)
At 1 January 2019 as originally stated		20,416,452	(2,653,906)	134,527	3,519,052	(2,162,651)	(120,819)	51,687	16,611,894	–	35,796,236	42,469,031	78,265,267
Effect of adopting merger accounting for common control combination		–	–	–	21,695	–	–	–	64,208	6,520,000	6,605,903	–	6,605,903
At 1 January 2019 as restated		20,416,452	(2,653,906)	134,527	3,540,747	(2,162,651)	(120,819)	51,687	16,676,102	6,520,000	42,402,139	42,469,031	84,871,170
Profit for the year		–	–	–	–	–	–	–	6,481,751	–	6,481,751	2,176,908	8,658,659
Other comprehensive (loss)/income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	(899,377)	–	–	–	–	(899,377)	(67,695)	(967,072)
Net gain on cash flow hedges		–	–	–	–	–	81,517	–	–	–	81,517	–	81,517
Net gains on property revaluation		–	–	51,995	–	–	–	–	–	–	51,995	–	51,995
Total comprehensive income for the year		–	–	51,995	–	(899,377)	81,517	–	6,481,751	–	5,715,886	2,109,213	7,825,099
Issue of new shares	38	724,385	–	–	–	–	–	–	–	–	724,385	–	724,385
Issue of perpetual capital instruments	37	–	–	–	–	–	–	–	–	–	–	2,809,980	2,809,980
Redemption of perpetual capital instruments	37	–	–	–	–	–	–	–	–	–	–	(2,000,000)	(2,000,000)
Perpetual capital instruments' distribution		–	–	–	–	–	–	–	–	–	–	(1,002,256)	(1,002,256)
Acquisition of subsidiaries	42	–	–	–	–	–	–	–	–	–	–	793,305	793,305
Disposal of subsidiaries	44	–	–	–	–	–	–	–	–	–	–	(799,612)	(799,612)
De-registration of a subsidiary		–	–	–	–	–	–	–	–	–	–	(23,266)	(23,266)
Final 2018 dividend declared		–	–	–	–	–	–	–	(1,018,798)	–	(1,018,798)	–	(1,018,798)
2019 interim dividend declared	12	–	–	–	–	–	–	–	(1,273,730)	–	(1,273,730)	–	(1,273,730)
Acquisition of non-controlling interests		–	(728,574)	–	–	–	–	–	–	–	(728,574)	(3,319,940)	(4,048,514)
Capital contribution from non-controlling shareholders		–	12,513	–	–	–	–	–	–	–	12,513	6,381,155	6,393,668
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(931,616)	(931,616)
Dividends to the then shareholder		–	–	–	–	–	–	–	(59,271)	–	(59,271)	–	(59,271)
Equity-settled share option arrangements	39	–	–	–	–	–	–	84,016	–	–	84,016	–	84,016
Exercise of share options	38	110,023	–	–	–	–	–	(20,229)	–	–	89,794	–	89,794
Transfer of share option reserve upon the forfeiture of share options		–	–	–	–	–	–	(2,545)	2,545	–	–	–	–
Transfer from retained profits		–	–	–	832,179	–	–	–	(832,179)	–	–	–	–
At 31 December 2019 as restated		21,250,860	(3,369,967)	186,522	4,372,926	(3,062,028)	(39,302)	112,929	19,976,420	6,520,000	45,948,360	46,485,994	92,434,354

	Notes	Attributable to owners of the parent											
		Share capital RMB'000 (note 38)	Capital reserve RMB'000 (note 40)	Asset revaluation reserve RMB'000 (note 40)	PRC statutory surplus reserve RMB'000 (note 40)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000 (note 40)	Share option reserve RMB'000 (note 40)	Retained profits RMB'000	Merger Reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 as originally stated		21,250,860	(3,369,967)	186,522	4,351,228	(3,062,028)	(39,302)	112,929	19,941,945	-	39,372,187	46,485,994	85,858,181
Effect of adopting merger accounting for common control combination	43	-	-	-	21,698	-	-	-	34,475	6,520,000	6,576,173	-	6,576,173
At 1 January 2020 as restated		21,250,860	(3,369,967)	186,522	4,372,926	(3,062,028)	(39,302)	112,929	19,976,420	6,520,000	45,948,360	46,485,994	92,434,354
Profit for the year		-	-	-	-	-	-	-	3,880,986	-	3,880,986	2,314,135	6,195,121
Other comprehensive (loss)/income for the year:													
Exchange differences on translation of foreign operations		-	-	-	-	2,416,869	-	-	-	-	2,416,869	(31,858)	2,385,011
Net loss on cash flow hedges		-	-	-	-	-	(56,645)	-	-	-	(56,645)	-	(56,645)
Total comprehensive income for the year		-	-	-	-	2,416,869	(56,645)	-	3,880,986	-	6,241,210	2,282,277	8,523,487
Issue of new shares	38	4,845,815	-	-	-	-	-	-	-	-	4,845,815	-	4,845,815
Issue of perpetual debts	37	-	-	-	-	-	-	-	-	-	-	5,000,000	5,000,000
Redemption of perpetual capital instruments	37	-	-	-	-	-	-	-	-	-	-	(621,000)	(621,000)
Perpetual capital instruments' distribution		-	-	-	-	-	-	-	-	-	-	(1,134,083)	(1,134,083)
Acquisition of subsidiaries	42	-	-	-	-	-	-	-	-	-	-	628,428	628,428
Disposal of subsidiaries	44	-	-	-	-	-	-	-	-	-	-	(1,023,942)	(1,023,942)
Final 2019 dividend declared	12	-	-	-	-	-	-	-	(1,181,924)	-	(1,181,924)	-	(1,181,924)
2020 interim dividend declared	12	-	-	-	-	-	-	-	(1,364,184)	-	(1,364,184)	-	(1,364,184)
Acquisition of non-controlling interests		-	(1,025,491)	-	-	-	-	-	-	-	(1,025,491)	(2,674,761)	(3,700,252)
Capital contribution from non-controlling shareholders		-	31,064	-	-	-	-	-	-	-	31,064	6,529,564	6,560,628
Dividends distribution to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(407,459)	(407,459)
Equity-settled share option arrangements	39	-	-	-	-	-	-	87,786	-	-	87,786	-	87,786
Exercise of share options	38	35,573	-	-	-	-	-	(6,145)	-	-	29,428	-	29,428
Transfer of share option reserve upon the forfeiture of share options		-	-	-	-	-	-	(7,603)	7,603	-	-	-	-
Considerations paid for acquisition of subsidiaries under common control combination		-	-	-	-	-	-	-	-	(6,850,000)	(6,850,000)	-	(6,850,000)
Transfer from retained profits		-	-	-	620,895	-	-	-	(620,895)	-	-	-	-
At 31 December 2020		26,132,248	(4,364,394)*	186,522*	4,993,821*	(645,159)*	(95,947)*	186,967*	20,698,006*	(330,000)*	46,762,064	55,065,018	101,827,082

* These reserve accounts comprise the consolidated other reserves of RMB20,629,816,000 (2019: RMB24,697,500,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,644,177	12,853,689
Adjustments for:			
Finance costs	8	2,726,978	2,270,766
Share of profits and losses of joint ventures and associates		(1,069,395)	(589,737)
Interest income	5	(3,223,777)	(2,541,856)
Other investment income	5	(556,424)	(207,017)
(Gain)/loss on disposal of items of property, plant and equipment	6	(517)	49
Gain on disposal of items of intangible assets	6	(307)	–
Provision of impairment of trade receivables	6,24	5,420	6,542
Impairment of financial assets included in prepayments, other receivables and other assets	6	3,134	–
Impairment of amounts due from related parties	7	1,311,180	–
Impairment of properties under development	7	1,543,462	–
Impairment of properties held for sale	7	1,515,492	–
Fair value gains on investment properties	5,18	(906,121)	(454,695)
Fair value gains on transfers from properties held for sale to investment properties	5	–	(356,045)
Depreciation	6,14	462,969	409,043
Depreciation of right-of-use assets	6,19	165,149	139,829
Amortisation of intangible assets	6,20	20,940	13,407
Net loss/(gain) on cash flow hedges	6	467	(1,441)
Gain on disposal of subsidiaries	5,44	(1,543,156)	(1,018,026)
Fair value gains on the equity interest previously held as investments in joint ventures and associates	5,42	(1,307,456)	(346,240)
Gain on bargain purchase	5,42	(146,548)	(401,970)
Gains on disposal of investments in joint ventures and associates	5	(371,007)	(322,454)
Gain on disposal of equity investments designated at fair value through profit or loss	5	(28,388)	–
Equity-settled share option expense	6,39	87,786	84,016
		8,334,058	9,537,860
Increase in properties under development		(53,555,143)	(43,972,654)
Decrease in properties held for sale		42,839,506	27,897,492
Decrease in land under development		961,708	214,031
Increase in inventories		(1,718)	(53,977)
Decrease/(increase) in trade receivables		1,004,768	(662,818)
Increase in contract assets		(522,319)	(112,509)
Increase in prepayments, other receivables and other assets		(11,563,222)	(7,486,628)
Decrease in amounts due from related parties		2,745,460	6,006,183
Increase in trade and bills payables		3,465,890	7,456,320
Increase in other payables and accruals		36,113,321	6,756,131
Increase in amounts due to related parties		4,383,213	15,966,166
Effect of exchange rate changes, net		216,161	(288,279)

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Cash generated from operations		34,421,683	21,257,318
Interest received		2,361,289	2,188,144
PRC corporate income tax paid		(2,946,028)	(2,302,128)
Land appreciation tax paid		(2,497,788)	(1,746,409)
Net cash flows from operating activities		31,339,156	19,396,925
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		556,424	207,017
Purchases of items of property, plant and equipment		(862,742)	(391,244)
Proceeds from disposal of items of property, plant and equipment		60,408	32,818
Proceeds from disposal of intangible assets		527	671
Additions to investment properties	18	(328,198)	(690,726)
Additions to intangible assets	20	(77,440)	(18,743)
(Increase)/decrease in other financial assets		(292,977)	915,129
Disposal of subsidiaries	44	(374,097)	(108,904)
Acquisition of subsidiaries	42	(1,504,433)	208,546
Dividends received from a joint venture		181,660	820,000
Investments in joint ventures		(5,448,135)	(3,881,786)
Investments in associates		(2,601,726)	(1,593,775)
Disposal of investment in a joint venture		1,260,775	–
Disposal of investment in an associate		–	530,153
Decrease/(increase) in loans to joint ventures and associates		15,322,219	(7,730,495)
Increase in loans to non-controlling shareholders		(3,122,346)	(952,962)
Increase in entrustment loans to a substantial shareholder		(297,458)	(1,435,928)
(Increase)/decrease in entrustment loans to third parties		(650,068)	1,389,728
Advance of investment to third parties		(1,008,014)	(440,591)
Increase in long-term deposits		–	(3,300,000)
Increase in restricted bank deposits		(1,111,423)	(3,024,721)
Settlement of derivative financial instruments		(6,286)	–
Net cash flows used in investing activities		(303,330)	(19,465,813)

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares, net of issue expenses		**4,845,815**	724,385
Issue of perpetual debts, net of issue expenses		**5,000,000**	2,809,980
New bank and other borrowings		**86,376,198**	67,053,448
Repayment of bank and other borrowings		**(90,375,954)**	(61,481,355)
Increase in long-term payables		**1,996**	70,000
Interest paid		**(8,350,752)**	(6,437,315)
Advance of investment from third parties		**1,814,198**	4,100,367
Principal portion of lease payments		**(138,507)**	(78,394)
Dividends paid		**(2,546,108)**	(2,351,799)
Dividends paid to non-controlling shareholders		**(419,459)**	(966,350)
Loans from non-controlling shareholders		**1,687,381**	560,102
Repayment of loans from non-controlling shareholders		**(964,134)**	(7,726,819)
Acquisition of non-controlling interests		**(3,700,252)**	(4,048,514)
Acquisition of subsidiaries under common control		**(6,850,000)**	–
Capital contribution from non-controlling shareholders		**6,560,628**	6,393,668
Proceeds from exercise of share options		**29,428**	89,794
Distributions of perpetual capital instruments paid		**(1,134,083)**	(1,002,256)
Redemption of perpetual capital instruments		**(621,000)**	(2,000,000)
Net cash flows used in financing activities		**(8,784,605)**	(4,291,058)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**22,251,221**	(4,359,946)
Cash and cash equivalents at beginning of year		**17,945,788**	22,298,692
Effect of foreign exchange rate changes, net		**(41,429)**	7,042
CASH AND CASH EQUIVALENTS AT END OF YEAR		**40,155,580**	17,945,788
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**40,052,376**	17,808,083
Non-pledged time deposits with original maturity of within three months when acquired		**45,105**	109,105
Non-pledged time deposits with original maturity of over three months when acquired with an option to withdraw upon demand similar to demand deposits		**58,099**	28,600
Cash and cash equivalents as stated in the consolidated statement of cash flows	29	**40,155,580**	17,945,788
Non-pledged time deposits with original maturity of over three months when acquired		**3,300,000**	–
Cash and cash equivalents as stated in the statement of financial position	29	**43,455,580**	17,945,788

1. CORPORATE AND GROUP INFORMATION

China Jinmao Holdings Group Limited (formerly known as Franshion Properties (China) Limited) (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- city and property development
- commercial leasing and retail operations
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group Co., Ltd., a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai International Shipping Service Center Co., Ltd.*	The PRC/ Mainland China	RMB3,150,000,000	50%	50%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/ Mainland China	US$635,000,000	100%	–	Property development
Chongqing Xingqian Properties Development Co., Ltd.*	The PRC/ Mainland China	RMB2,884,540,000	–	73%@	Property development
Jinmao Hangzhou Property Development Co., Ltd.*	The PRC/ Mainland China	RMB3,200,000,000	–	100%	Property development
Nanjing Xingtuo Investment Co., Ltd.**	The PRC/ Mainland China	RMB2,400,000,000	–	80%	Land development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid–up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Chemsunny Property Co., Ltd.***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property investment
Jinmao (China) Hotel Investments and Management Limited ("JCHIML") ^	Cayman Islands/ Hong Kong	HK$2,000,000	100%	–	Investment holding
Wangfujing Hotel Management Co., Ltd.***	The PRC/ Mainland China	US$73,345,000	–	100%	Hotel operation
China Jin Mao Group Co., Ltd.***	The PRC/ Mainland China	RMB2,635,000,000	–	100%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd.**	The PRC/ Mainland China	RMB1,600,000,000	–	100%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd.**	The PRC/ Mainland China	RMB300,000,000	–	100%	Hotel operation
Jin Mao Sanya Tourism Co., Ltd.**	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation
Jin Mao Shenzhen Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB700,000,000	–	100%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited***	The PRC/ Mainland China	US$600,000,000	–	100%	Property development
Jin Mao Investment (Changsha) Co., Ltd.**	The PRC/ Mainland China	RMB3,000,000,000	–	80%	Land development
Franshion Brilliant Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Properties (Suzhou) Limited***	The PRC/ Mainland China	US$395,000,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Xingtuo Properties Limited*	The PRC/ Mainland China	RMB260,000,000	–	90%	Property development
Changsha Jinmao City Construction Limited**	The PRC/ Mainland China	RMB2,962,500,000	–	100%	Land development
Shanghai Jin Mao Economic Development Company Ltd.**	The PRC/ Mainland China	RMB30,000,000	–	100%	Property development
Jinmao Assets Management Limited Partnership	Cayman Islands/ Hong Kong	RMB11,811,608,710	95%	5%	Property investment
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao")**	The PRC/ Mainland China	RMB4,500,000,000	–	26.5%[$]	Property development
Ningbo Xingmao Property Development Co., Ltd.***	The PRC/ Mainland China	US$200,000,000	–	100%	Property development
Shanghai Franshion Development Co., Ltd.**	The PRC/ Mainland China	RMB7,000,000,000	–	90%	Property development
Nanjing Runmao Property Development Co., Ltd. ("Nanjing Runmao")**	The PRC/ Mainland China	RMB3,000,000,000	–	27.5%[#]	Property development
Hangzhou Yimao Property Development Co., Ltd. ("Hangzhou Yimao")**	The PRC/ Mainland China	RMB2,500,000,000	–	36%[$$]	Property development
Beijing Franshion Tuoying Property Development Co., Ltd.**	The PRC/ Mainland China	RMB10,000,000	–	100%	Property development
Foshan Maoxing Property Development Co., Ltd.**	The PRC/ Mainland China	RMB820,000,000	–	65%	Property development
Beijing Jinfeng Property Development Co., Ltd.**	The PRC/ Mainland China	RMB11,112,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid–up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jinmao Investment Management (Tianjin) Co., Ltd.**	The PRC/ Mainland China	RMB5,000,000,000	–	100%	Investment management
Hangzhou Qinmao Property Development Co., Ltd.**	The PRC/ Mainland China	RMB4,000,000,000	–	60%	Property development
Wuhan Huazi Enterprise Management Consulting Co., Ltd**	The PRC/ Mainland China	RMB6,520,000,000	–	100%	Investment holding
Jinan Yuanmao Property Development Co., Ltd.**	The PRC/ Mainland China	RMB3,162,657,780	–	100%	Property development
Tianjin Jinhui Property Development Co., Ltd.**	The PRC/ Mainland China	RMB2,580,000,000	–	100%	Property development
Shenzhen Yuemao Property Development Co., Ltd.**	The PRC/ Mainland China	RMB500,000,000	–	80%	Property development
Zhengzhou Maohui Property Development Co., Ltd.**	The PRC/ Mainland China	RMB1,530,000,000	–	100%	Property development
Ningbo Cimao Real Estate Development Co., Ltd.**	The PRC/ Mainland China	RMB410,000,000	–	36%##	Property development
Ningbo Yongmao Construction Development Co., Ltd.**	The PRC/ Mainland China	RMB400,000,000	–	80%	Land development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

* Registered as Sino-foreign joint ventures under PRC law.
** Registered as limited liability companies under PRC law.
*** Registered as wholly-foreign-owned entities under PRC law.
^ Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel and are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). JCHIML and its subsidiaries are collectively referred to as the JCHIML Group. On 5th October 2020, JCHIML Group finished its privatisation transaction and withdrawal of its listing of the share stapled units on the Stock Exchange.
@ This entity is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.
# The Group is entitled to 57.5% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.
$ The Group is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.
$$ The Group is entitled to 60% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.
The Group is entitled to 51% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.

The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and other financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Adoption of merger accounting and restatement

As disclosed in note 42 to the consolidated financial statements, a business combination under common control was effected during the year ended 31 December 2020, where the business acquired in the business combination and the Company are both ultimately controlled by Sinochem Group. The Group has applied merger accounting to account for the business combination under common control.

Under merger accounting, the consolidated financial statements incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the earliest date presented or since the date when the combining entities or businesses first came under the control of the controlling party, where this is a shorter period, regardless of the date of the business combination under common control.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the business combination under common control and no amount is recognised in respect of goodwill.

The comparative amounts in the consolidated financial statements are restated as if the combining entities or businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is later. The impact on the Group arising from the common control combination is disclosed in note 42 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS *5 Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its investment properties, derivative financial instruments and certain financial assets at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, land under development, properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 9.5%
Leasehold improvements	18% – 20%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to the statement of profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

***Group as a lessee* (Continued)**

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 70 years
Office properties and staff quarters	2 to 15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in–substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

***Group as a lessee* (Continued)**

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement **(Continued)**

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

***Financial assets at fair value through profit or loss* (Continued)**

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host: a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative: and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, interest-bearing bank and other borrowings, lease liabilities, long-term payables, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

***Subsequent measurement* (Continued)**

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

***Initial recognition and subsequent measurement* (Continued)**

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non–current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non–current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers **(Continued)**

(a) *Sale of completed properties*

Revenue from the sale of completed properties is recognised at the point in time when control of the asset is transferred to the customer, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has obtained the right to payment and the collection of the consideration is probable;

(b) *Land development*

Revenue from land development is recognised at the point in time when control of the asset is transferred to the customers, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(c) *Hotel operations*

Hotel and other service income is recognised in the period in which such services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group;

(d) *Property management services*

Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group;

(e) *Design, construction and decoration services*

Revenue from the provision of design, construction and decoration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the design, construction and decoration services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as properties under development, land under development, inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 39 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate of 3.92% has been applied to the expenditure on the group level.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, while the Company's functional currency is HK$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non–monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and subsidiaries operating outside Mainland China are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rate ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arises throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the properties development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

***Provision for expected credit losses on trade receivables and contract assets* (Continued)**

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 24 and note 26 to the financial statements, respectively.

Provision for expected credit losses on amounts due from joint ventures and associates

The Group uses general approach to calculate ECLs on the amounts due from joint ventures and associates. For those associates and joint ventures undertaking property development projects, if applicable, the provision is measured at an amount equal to the lifetime ECL which would be calculated by taking into account the impairment losses of the properties under development and properties held for sale held by the associates and joint ventures. The ECLs reflect the current conditions and forecasts of future economic conditions, as appropriate. The assessment of the carrying value properties under development and properties held for sale held by the associates and joint ventures and ECLs is a significant estimate. As at 31 December 2020, the loss allowance was assessed and recognised at an amount of RMB1,311,180,000 (2019: Nil). Further details are disclosed in note 27 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

***Estimation of fair value of investment properties* (Continued)**

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2020 was RMB33,315,404,000 (2019: RMB31,260,683,000). Further details, including the key assumptions used for the fair value measurement, are given in note 18 to the financial statements.

Measurement of properties under development

The Group's properties under development is stated at the lower of cost and net realisable value. Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years.

Based on the Group's recent experience and the nature of the subject project, the Group makes estimates of cost of properties under development, and its net realisable value, i.e., the revenue to be derived from the properties under development for sale, less costs to completion and the costs to be incurred in realising the revenue from the sale of properties under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of properties under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of properties under development at 31 December 2020 was RMB138,828,994,000 (2019: RMB131,511,819,000). Further details are given in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Costs of land under development during the construction stage, before the final settlement of the development costs and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2020 was RMB11,923,909,000 (2019: RMB12,695,815,000). Further details are given in note 16 to the financial statements.

Estimation of net realisable value for properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amounts of properties held for sale at 31 December 2020 were RMB19,399,605,000 (2019: RMB11,783,581,000). Further details are given in note 17 to the financial statements.

Provision for impairment of properties for sale

Management reviews the market conditions of properties for sale held by the Group and associates and joint ventures at the end of each reporting period, and makes provision for impairment of properties for sale identified that the net realisable value is lower than cost. Management estimates the net realisable value for properties for sale based primarily on the latest selling prices and current market conditions. If the condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected. Further details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was RMB682,961,000 (2019: RMB710,968,000). The amount of unrecognised tax losses at 31 December 2020 was RMB4,508,776,000 (2019: RMB3,091,488,000). Further details are contained in note 36 to the financial statements.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2020 was RMB2,282,501,000 (2019: RMB2,574,728,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2020 was RMB2,074,146,000 (2019: RMB3,290,135,000). Further details are given in note 35 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the city and property development segment develops city complexes and properties and develops land;

(b) the commercial leasing and retail operations segment leases office and retail commercial premises;

(c) the hotel operations segment provides hotel accommodation services, food and beverage; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, and the operation of an observation deck.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income, non-lease-related finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude derivative financial instruments, deferred tax assets, prepaid tax, restricted bank balances, cash and cash equivalents, certain financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

The Group's operations are mainly conducted in Mainland China. Management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020	City and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue: (Note 5)					
Sales to external customers	54,366,536	1,461,345	1,257,838	2,968,159	60,053,878
Intersegment sales	–	17,593	–	1,137,050	1,154,643
	54,366,536	1,478,938	1,257,838	4,105,209	61,208,521
Reconciliation:					
Elimination of intersegment sales					(1,154,643)
Total revenue					60,053,878
Segment results	7,301,080	1,632,786	(62,696)	392,846	9,264,016
Reconciliation:					
Elimination of intersegment results					(676,727)
Interest income					3,223,777
Other investment income					556,424
Gain on disposal of equity investment designated at fair value through profit or loss					28,388
Corporate and other unallocated expenses					(65,630)
Finance costs (other than interest on lease liabilities)					(2,686,071)
Profit before tax					9,644,177
Segment assets	388,227,237	49,475,361	12,519,612	8,895,844	459,118,054
Reconciliation:					
Elimination of intersegment assets					(193,944,023)
Corporate and other unallocated assets					122,582,143
Total assets					387,756,174
Segment liabilities	287,796,857	15,012,674	6,564,742	6,840,797	316,215,070
Reconciliation:					
Elimination of intersegment liabilities					(185,302,220)
Corporate and other unallocated liabilities					155,016,242
Total liabilities					285,929,092
Other segment information:					
Share of profits of joint ventures	370,064	–	–	1,034	371,098
Share of profits of associates	698,297	–	–	–	698,297
Depreciation and amortisation	129,410	43,377	417,404	58,867	649,058
Loss/(gain) on disposal of items of property, plant and equipment	901	(1,645)	104	123	(517)
Impairment losses recognised in the statement of profit or loss, net	4,370,134	–	1,060	7,494	4,378,688
Fair value gains on investment properties	–	906,121	–	–	906,121
Investments in associates	11,038,330	–	–	66,740	11,105,070
Investments in joint ventures	16,289,853	–	–	29,590	16,319,443
Capital expenditure*	229,274	550,373	118,990	382,296	1,280,933

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, and investment properties including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019	City and property development (Restated) RMB'000	Commercial leasing and retail operations (Restated) RMB'000	Hotel operations (Restated) RMB'000	Others (Restated) RMB'000	Total (Restated) RMB'000
Segment revenue: (Note 5)					
Sales to external customers	37,721,403	1,446,776	1,967,118	2,220,644	43,355,941
Intersegment sales	152,628	88,848	–	801,947	1,043,423
	37,874,031	1,535,624	1,967,118	3,022,591	44,399,364
Reconciliation:					
Elimination of intersegment sales					(1,043,423)
Total revenue					43,355,941
Segment results	11,202,421	1,371,902	228,749	279,108	13,082,180
Reconciliation:					
Elimination of intersegment results					(523,530)
Interest income					2,541,856
Other investment income					207,017
Corporate and other unallocated expenses					(190,498)
Finance costs (other than interest on lease liabilities)					(2,263,336)
Profit before tax					12,853,689
Segment assets	322,236,641	47,245,064	12,759,946	5,775,204	388,016,855
Reconciliation:					
Elimination of intersegment assets					(149,698,182)
Corporate and other unallocated assets					96,562,735
Total assets					334,881,408
Segment liabilities	213,935,258	18,101,539	7,139,122	4,356,898	243,532,817
Reconciliation:					
Elimination of intersegment liabilities					(142,565,582)
Corporate and other unallocated liabilities					141,479,819
Total liabilities					242,447,054
Other segment information:					
Share of profits of joint ventures	721,561	–	–	829	722,390
Share of profits of associates	(132,653)	–	–	–	(132,653)
Depreciation and amortisation	109,303	40,881	372,878	39,217	562,279
Loss/(gain) on disposal of items of property, plant and equipment	173	(6,267)	6,053	90	49
Impairment losses recognised in the statement of profit or loss, net	–	3,222	252	3,068	6,542
Fair value gains on investment properties	–	454,695	–	–	454,695
Fair value gains on transfer from properties held for sale to investment properties	–	356,045	–	–	356,045
Investments in associates	7,597,657	–	–	–	7,597,657
Investments in joint ventures	11,480,429	–	–	30,956	11,511,385
Capital expenditure	213,047	706,185	198,436	135,144	1,252,812

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the year, there was no revenue from a single customer which accounted for 10% or more of the Group's revenue (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	58,592,533	41,909,165
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	132,758	6,959
Other lease payments, including fixed payments	1,328,587	1,439,817
	1,461,345	1,446,776
	60,053,878	43,355,941

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods or services				
Sale of completed properties	47,383,289	–	–	47,383,289
Land development	6,983,247	–	–	6,983,247
Hotel operations	–	1,257,838	–	1,257,838
Others	–	–	2,968,159	2,968,159
Total revenue from contracts with customers	54,366,536	1,257,838	2,968,159	58,592,533
Timing of revenue recognition				
Goods transferred at a point of time	54,366,536	–	–	54,366,536
Services transferred over time	–	1,257,838	2,968,159	4,225,997
Total revenue from contracts with customers	54,366,536	1,257,838	2,968,159	58,592,533

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Types of goods or services				
Sale of completed properties	33,430,413	–	–	33,430,413
Land development	4,290,990	–	–	4,290,990
Hotel operations	–	1,967,118	–	1,967,118
Others	–	–	2,220,644	2,220,644
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165
Timing of revenue recognition				
Goods transferred at a point of time	37,721,403	–	–	37,721,403
Services transferred over time	–	1,967,118	2,220,644	4,187,762
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	**54,366,536**	**1,257,838**	**2,968,159**	**58,592,533**
Intersegment sales	–	–	**1,137,050**	**1,137,050**
	54,366,536	**1,257,838**	**4,105,209**	**59,729,583**
Intersegment adjustments and eliminations	–	–	**(1,137,050)**	**(1,137,050)**
Total revenue from contracts with customers	**54,366,536**	**1,257,838**	**2,968,159**	**58,592,533**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) *Disaggregated revenue information* (Continued)

For the year ended 31 December 2019

Segments	City and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	37,721,403	1,967,118	2,220,644	41,909,165
Intersegment sales	152,628	–	801,947	954,575
	37,874,031	1,967,118	3,022,591	42,863,740
Intersegment adjustments and eliminations	(152,628)	–	(801,947)	(954,575)
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of completed properties	**28,255,425**	21,302,227
Hotel operations	**17,323**	81,883
Others	**26,883**	8,251
	28,299,631	21,392,361

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of completed properties

The performance obligation is satisfied upon delivery of the completed properties.

Land development

The performance obligation is satisfied when the land development is completed.

Hotel operations

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the services.

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

Design, construction and decoration services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Other income			
Interest income		3,223,777	2,541,856
Other investment income		556,424	207,017
Government grants*		99,103	58,050
Default penalty income		43,225	22,374
		3,922,529	2,829,297
Gains			
Fair value gains on investment properties	18	906,121	454,695
Fair value gains on transfers from properties held for sale to investment properties		–	356,045
Gain on bargain purchase	42	146,548	401,970
Gain on disposal of subsidiaries	44	1,543,156	1,018,026
Fair value gains on the equity interest previously held as investments in joint ventures or associates	42	1,307,456	346,240
Gain on disposal of equity investment designed at fair value through profit or loss		28,388	–
Foreign exchange gain, net	6	374,741	50,780
Gain on disposal of investments in joint ventures and associates		371,007	322,454
Others		98,739	356,197
		4,776,156	3,306,407
		8,698,685	6,135,704

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Cost of properties sold		**40,961,854**	25,140,050
Cost of land development		**3,772,784**	2,477,754
Cost of services provided		**3,204,876**	2,973,394
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**200,027**	216,152
Depreciation of property, plant and equipment	14	**462,969**	409,043
Depreciation of right-of-use assets	19(a)	**165,149**	139,829
Amortisation of intangible assets	20	**20,940**	13,407
Lease payments not included in the measurement of lease liabilities	19(c)	**32,646**	14,205
Auditor's remuneration		**7,825**	7,038
Employee benefit expense (including directors' and chief executive's remuneration (note (8)):			
Wages and salaries		**2,151,774**	2,161,925
Equity-settled share option expense	39	**87,786**	84,016
Pension scheme contributions (defined contribution schemes)		**79,724**	167,727
Less: Amount capitalised		**(16,332)**	(43,174)
Net pension scheme contributions*		**63,392**	124,553
		2,302,952	2,370,494
Foreign exchange differences, net	5	**(374,741)**	(50,780)
(Gain)/loss on disposal of items of property, plant and equipment**		**(517)**	49
Gain on disposal of intangible assets		**(307)**	–
Provision of impairment of trade receivables**	24	**5,420**	6,542
Impairment of financial assets included in prepayments, other receivables and other assets**		**3,134**	–
Impairment of properties under development, net**	15	**1,543,462**	–
Impairment of properties held for sale, net**	17	**1,515,492**	–
Impairment of amounts due from related parties, net**	27	**1,311,180**	–
Ineffectiveness and hedging cost of cash flow hedges		**467**	(1,441)

* At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

** These items are included in "Other expenses and losses, net" in the consolidated statement of profit or loss.

7. OTHER EXPENSES AND LOSSES, NET

An analysis of other expenses and losses, net is as follows:

	Notes	2020 RMB'000	2019 RMB'000
Impairment of properties under development, net	15	**1,543,462**	–
Impairment of properties held for sale, net	17	**1,515,492**	–
Impairment of amounts due from related parties, net	27	**1,311,180**	–
Others		**11,178**	6,916
		4,381,312	6,916

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Interest on bank and other loans, notes and bonds	**6,419,880**	6,348,167
Interest on an amount due to fellow subsidiaries (note 48(a))	**258,831**	116,745
Interest on an amount due to the immediate holding company (note 48(a))	**168,779**	278,928
Interest on an amount due to an intermediate holding company (note 48(a))	**663,373**	91,927
Interest on an amount due to the ultimate holding company (note 48(a))	**882**	389
Interest on an amount due to associates (note 48(a))	**139,669**	5,745
Interest on an amount due to joint ventures (note 48(a))	**209,897**	67,089
Interest on an amount due to the substantial shareholder (note 48(a))	**18,595**	46,487
Interest on lease liabilities (note 19(b))	**40,907**	7,430
Total interest expense	**7,920,813**	6,962,907
Less: Interest capitalised	**(5,193,835)**	(4,692,141)
	2,726,978	2,270,766

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2020	2019
	RMB'000	RMB'000
Fees	**1,184**	1,215
Other emoluments:		
Salaries, allowances and benefits in kind	**9,741**	9,622
Bonuses*	**17,853**	28,438
Equity-settled share option expense	**3,606**	3,024
Pension scheme contributions	**1,385**	1,401
	32,585	42,485
	33,769	43,700

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

Mr. Su Xijia and Mr. Gao Shibin, are independent non-executive directors of the Company, and the fees paid to them during the year were RMB409,000 (2019: RMB405,000) and RMB409,000 (2019: RMB405,000), respectively.

Mr. Lau Hon Chuen, Ambrose retired as an independent non-executive director of the Company with effect from 10 June 2020, and the fees paid to him during the year were RMB182,000 (2019: RMB405,000).

Mr. Zhong Wei was appointed as an independent non-executive director of the Company with effect from 24 August 2020, and the fees paid to him during the year were RMB145,000 (2019:Nil).

Mr. Suen Man Tak was appointed as an independent non-executive director of the Company with effect from 27 November 2020, and the fees paid to him during the year were RMB39,000 (2019:Nil).

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

Executive directors

i. Mr. Li Congrui is the chief executive officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2019: Nil), salaries, allowances and benefits in kind of RMB3,377,000 (2019: RMB3,339,000), performance related bonuses of RMB6,484,000 (2019: RMB5,833,000), special bonuses of RMB0 (2019: RMB7,701,000), equity-settled share option expense of RMB1,202,000 (2019: RMB1,008,000), and pension scheme contributions of RMB507,000 (2019: RMB523,000).

ii. Mr. Jiang Nan is the chief financial officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2019: Nil), salaries, allowances and benefits in kind of RMB3,380,000 (2019: RMB3,336,000), performance related bonuses of RMB5,240,000 (2019: RMB4,258,000), special bonuses of RMB0 (2019: RMB2,695,000), equity-settled share option expense of RMB1,202,000 (2019: RMB1,008,000), and pension scheme contributions of RMB426,000 (2019: RMB437,000).

iii. Mr. Song Liuyi is the senior vice president of the Company. The remuneration paid to him during the year included fees of RMB0 (2019: Nil), salaries, allowances and benefits in kind of RMB2,984,000 (2019: RMB2,947,000), performance related bonuses of RMB6,129,000 (2019: RMB5,063,000), special bonuses of RMB0 (2019: RMB2,888,000), equity-settled share option expense of RMB1,202,000 (2019: RMB1,008,000), and pension scheme contributions of RMB452,000 (2019: RMB441,000).

Non-executive directors

i. Mr. Ning Gaoning is the chairman and non-executive director of the Company. There was no remuneration paid to him during the year (2019: Nil).

ii. Mr. Yang Lin and Mr. An Hongjun are non-executive directors of the Company. There were no remuneration paid to them during the year (2019: Nil).

iii. Mr. Cheng Yong and Mr. Wang Wei were appointed as non-executive directors of the Company with effect from 24 August 2020. There were no remuneration paid to them during the year (2019: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2019: three directors including the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration of the five highest paid employees of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**14,962**	14,132
Bonuses	**25,067**	39,637
Equity-settled share option expense	**5,591**	5,040
Pension scheme contributions	**2,125**	2,760
	47,745	61,569

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$7,000,001 to HK$7,500,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	1
HK$11,500,001 to HK$12,000,000	**1**	1
HK$12,000,001 to HK$12,500,000	**1**	–
HK$13,000,001 to HK$13,500,000	**1**	1
HK$14,000,001 to HK$14,500,000	**–**	1
HK$20,500,001 to HK$21,000,000	**–**	1
	5	5

In prior years, share options were granted to three non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 39 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Current			
PRC corporate income tax			
Charge for the year		**2,724,053**	2,790,967
Overprovision in prior years		**(6,380)**	(4,225)
PRC land appreciation tax	35	**913,728**	1,855,576
		3,631,401	4,642,318
Deferred	36	**(182,345)**	(447,288)
Total tax charge for the year		**3,449,056**	4,195,030

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2019: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

11. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge for the year at the effective tax rates is as follows:

2020

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax	30,743	9,613,434	9,644,177
Tax at the statutory income tax rate	5,073	2,403,359	2,408,432
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	(54,108)	–	(54,108)
Adjustment in respect of current tax of previous periods	–	(6,380)	(6,380)
Profits and losses attributable to joint ventures and associates	–	(267,349)	(267,349)
Income not subject to tax	(119,716)	(519,434)	(639,150)
Expenses not deductible for tax	114,643	933,019	1,047,662
Tax losses utilised from previous periods	–	(113,940)	(113,940)
Tax losses not recognised	–	388,593	388,593
LAT (note 35)	–	913,728	913,728
Tax effect of LAT	–	(228,432)	(228,432)
Tax charge for the year	(54,108)	3,503,164	3,449,056

11. INCOME TAX (Continued)

2019

	Hong Kong RMB'000 (Restated)	Mainland China RMB'000 (Restated)	Total RMB'000 (Restated)
Profit before tax	324,989	12,528,700	12,853,689
Tax at the statutory income tax rate	53,623	3,132,175	3,185,798
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	45,179	–	45,179
Adjustment in respect of current tax of previous periods	–	(4,225)	(4,225)
Profits and losses attributable to joint ventures and associates	–	(147,434)	(147,434)
Income not subject to tax	(82,638)	(345,339)	(427,977)
Expenses not deductible for tax	29,015	260,623	289,638
Tax losses utilised from previous periods	–	(334,253)	(334,253)
Tax losses not recognised	–	196,622	196,622
LAT (note 35)	–	1,855,576	1,855,576
Tax effect of LAT	–	(463,894)	(463,894)
Tax charge for the year	45,179	4,149,851	4,195,030

The share of tax attributable to joint ventures and associates amounting to RMB249,397,000 (2019: share of tax credit of RMB245,251,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

12. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim – HK12.0 cents (2019 interim dividend: HK12.0 cents) per ordinary share	**1,364,184**	1,273,730
Proposed final – HK14.0 cents (2019: HK11.0 cents) per ordinary share	**1,494,751**	1,168,031

The actual amount of the 2019 final dividend paid during the year ended 31 December 2020 was RMB1,181,924,000.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 12,179,840,073 (2019: 11,650,154,307) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of the Group's share options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2020 RMB'000	2019 RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,880,986**	6,481,751

	Number of shares	
	2020	**2019**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**12,179,840,073**	11,650,154,307
Effect of dilution – weighted average number of ordinary shares:		
Share options	**77,911,299**	52,775,198
	12,257,751,372	11,702,929,505

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
At 31 December 2019:							
As originally stated	6,756,691	898	532,162	1,032,751	11,712	2,576,710	10,910,924
Restatement (note 43)	–	–	–	344	–	–	344
As restated	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268
At 31 December 2019 and at 1 January 2020:							
Cost	8,752,464	20,903	675,623	2,293,568	58,389	2,576,710	14,377,657
Accumulated depreciation and impairment	(1,995,773)	(20,005)	(143,461)	(1,260,473)	(46,677)	–	(3,466,389)
Net carrying amount	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268
At 1 January 2020, net of accumulated depreciation and impairment	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268
Additions	50,317	1,888	192,307	60,192	4,274	561,395	870,373
Disposals	(59)	(948)	–	(2,267)	(750)	(55,867)	(59,891)
Depreciation provided during the year (note 6)	(270,137)	(327)	(42,432)	(144,838)	(5,235)	–	(462,969)
Acquisition of subsidiaries (note 42)	–	–	–	2,858	231	–	3,089
Disposal of subsidiaries (note 44)	–	–	–	(4,001)	(346)	–	(4,347)
Transfer from investment properties (note 18)	–	–	49,539	–	–	–	49,539
Transfers	3,810	375	–	32,443	–	(36,628)	–
Exchange realignment	–	–	–	(7)	–	–	(7)
At 31 December 2020, net of accumulated depreciation and impairment	6,540,622	1,886	731,576	977,475	9,886	3,045,610	11,307,055
At 31 December 2020:							
Cost	8,806,191	22,150	917,470	2,372,929	59,334	3,045,610	15,223,684
Accumulated depreciation and impairment	(2,265,569)	(20,264)	(185,894)	(1,395,454)	(49,448)	–	(3,916,629)
Net carrying amount	6,540,622	1,886	731,576	977,475	9,886	3,045,610	11,307,055

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
As originally stated	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
Restatement (note 43)	–	–	–	405	–	–	405
As restated	7,042,178	18	467,096	867,629	14,212	2,338,375	10,729,508
At 1 January 2019:							
Cost	8,760,057	19,569	570,554	2,046,559	59,454	2,338,375	13,794,568
Accumulated depreciation and impairment	(1,717,879)	(19,551)	(103,458)	(1,178,930)	(45,242)	–	(3,065,060)
Net carrying amount	7,042,178	18	467,096	867,629	14,212	2,338,375	10,729,508
At 1 January 2019, net of accumulated depreciation and impairment	7,042,178	18	467,096	867,629	14,212	2,338,375	10,729,508
Additions	17,605	1,364	265	143,983	1,249	223,680	388,146
Disposals	(4,231)	(1)	(93)	(1,533)	(180)	(26,829)	(32,867)
Depreciation provided during the year (note 6)	(217,610)	(483)	(40,440)	(146,950)	(3,560)	–	(409,043)
Acquisition of subsidiaries (note 42)	–	–	–	80,719	133	73,802	154,654
Disposal of subsidiaries (note 44)	–	–	–	(892)	(142)	–	(1,034)
Gain on properties revaluation in relation to the transfer to investment properties	67,983	–	1,344	–	–	–	69,327
Transfer from properties under development (note 15)	–	–	111,330	–	–	–	111,330
Transfer to investment properties (note 18)	(91,409)	–	(7,340)	(6)	–	–	(98,755)
Transfers	(57,825)	–	–	90,143	–	(32,318)	–
Exchange realignment	–	–	–	2	–	–	2
At 31 December 2019, net of accumulated depreciation and impairment	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268
At 31 December 2019:							
Cost	8,752,464	20,903	675,623	2,293,568	58,389	2,576,710	14,377,657
Accumulated depreciation and impairment	(1,995,773)	(20,005)	(143,461)	(1,260,473)	(46,677)	–	(3,466,389)
Net carrying amount	6,756,691	898	532,162	1,033,095	11,712	2,576,710	10,911,268

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2020, certain of the Group's hotel properties and buildings, construction in progress included in property, plant and equipment with an aggregate net carrying amount of approximately RMB219,982,000 (2019: RMB297,415,000) were pledged to secure bank loans granted to the Group (note 34).

15. PROPERTIES UNDER DEVELOPMENT

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Carrying amount at 1 January		**131,511,819**	102,023,628
Additions		**63,078,730**	48,426,142
Transfer to properties held for sale		**(51,502,410)**	(20,727,217)
Transfer to property, plant and equipment	14	**–**	(111,330)
Acquisition of subsidiaries	42	**24,817,373**	9,996,192
Disposal of subsidiaries	44	**(27,533,056)**	(8,095,596)
Impairment	7	**(1,543,462)**	–
Carrying amount at 31 December		**138,828,994**	131,511,819
Current portion		**(79,473,565)**	(62,241,273)
Non-current portion		**59,355,429**	69,270,546

At 31 December 2020, certain of the Group's properties included in properties under development with a net carrying amount of approximately RMB75,307,751,000 (2019: RMB52,622,566,000) were pledged to secure bank loans granted to the Group (note 34).

16. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**12,695,815**	12,671,193
Additions	**2,988,112**	2,729,635
Recognised during the year	**(3,760,018)**	(2,705,013)
Carrying amount at 31 December	**11,923,909**	12,695,815
Current portion	**(1,429,269)**	(1,990,602)
Non-current portion	**10,494,640**	10,705,213

17. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at the lower of cost and net realisable value. The Group's properties held for sale are situated in Mainland China.

For the year ended 31 December 2020, the Group recognised impairment losses of RMB1,515,492,000 (2019: Nil) on properties held for sale (note 7). At 31 December 2020, the provision for impairment of properties held for sale amounted to RMB1,515,492,000 (2019: Nil).

At 31 December 2020, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately RMB132,501,000 (2019: RMB132,501,000) were pledged to secure bank loans granted to the Group (note 34).

18. INVESTMENT PROPERTIES

	Notes	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January		**31,260,683**	29,205,862
Additions		**328,198**	690,726
Transfer from properties held for sale		**–**	808,710
Net gain from a fair value adjustment	5	**906,121**	454,695
Transfer from property, plant and equipment	14	**–**	98,755
Transfer from right-of-use assets	19(a)	**869,941**	1,935
Transfer to property, plant and equipment	14	**(49,539)**	–
Carrying amount at 31 December		**33,315,404**	31,260,683

The Group's investment properties consist of 19 commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. Except for two investment properties which were valued by the Group's management, the Group's investment properties were revalued individually on 31 December 2020 based on valuations performed by Cushman & Wakefield Limited (formerly known as DTZ Debenham Tie Leung Limited), Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

As at 31 December 2020, three of the Group's investment properties were right-of-use assets with total carrying amount of RMB937,917,000 relating to buildings which were leased out under one or more operating leases.

These investment properties are leased under operating leases, further summary details of which are included in note 19 to the financial statements.

At 31 December 2020, certain of the Group's investment properties with a carrying value of RMB11,317,930,000 (2019: RMB12,902,640,000) were pledged to secure bank loans granted to the Group (note 34).

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2020 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	**41,900**	**33,273,504**	**33,315,404**

	Fair value measurement as at 31 December 2019 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	42,100	31,218,583	31,260,683

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2019	29,158,062
Additions	690,726
Transfer from properties held for sale	808,710
Net gain from a fair value adjustment	460,395
Transfer from property, plant and equipment	98,755
Transfer from right-of-use assets	1,935
Carrying amount at 31 December 2019 and 1 January 2020	31,218,583
Additions	328,198
Net gain from a fair value adjustment	906,321
Transfer to property, plant and equipment	(49,539)
Transfer from right-of-use assets	869,941
Carrying amount at 31 December 2020	33,273,504

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2020	2019
Property 1 – Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield	5.25%	5.50%
		Reversionary yield	5.75%	6.00%
		Market rent (per square metre ("sqm") per annum ("p.a."))	RMB5,789 – RMB9,815	RMB5,347 – RMB9,726
Property 2 – Sinochem Tower	Term and reversion method	Term yield	3.00% – 5.50%	3.00% – 5.50%
		Reversionary yield	3.50% – 6.00%	3.50% – 6.00%
		Market rent (per sqm p.a.)	RMB3,269 – RMB9,600	RMB3,166 – RMB9,600
Property 3 – Jin Mao Tower	Term and reversion method	Term yield	3.50% – 4.00%	3.50% – 4.50%
		Reversionary yield	4.00% – 4.50%	4.00% – 5.00%
		Market rent (per sqm p.a.)	RMB4,441 – RMB18,000	RMB4,619 – RMB12,000
Property 4 – Zhuhai Every Garden	Term and reversion method	Term yield	5.00% – 6.25%	5.00% – 6.25%
		Reversionary yield	5.50% – 6.50%	5.50% – 6.50%
		Market rent (per sqm p.a.)	RMB514 – RMB778	RMB518 – RMB720
Property 5 – Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield	3.50% – 4.50%	3.50% – 4.50%
		Reversionary yield	4.00% – 5.00%	4.00% – 5.00%
		Market rent (per sqm p.a.)	RMB2,160 – RMB7,560	RMB2,160 – RMB7,560
Property 6 – Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.)	RMB2,700	RMB1,018
		Rental growth p.a.	3.00%	0.00% – 3.00% (3.00%)
		Long term vacancy rate	8.22%	8.22%
		Discount rate	6.00%	6.00%
Property 7 – Lijiang J•LIFE	Term and reversion method	Term yield	5.00%	5.50%
		Reversionary yield	5.50%	5.50%
		Market rent (per sqm p.a.)	RMB1,072	RMB1,044
Property 8 – Shanghai International Shipping Service Center	Market comparable method	Price per sqm	RMB57,525 – RMB90,500	RMB57,194 – RMB90,275

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2020	2019
Property 9 – Qingdao Jinmao Harbour Shopping Center	Term and reversion method	Term yield	NA	4.00%
		Reversionary yield	NA	4.50%
		Market rent (per sqm p.a.)	NA	RMB1,644
	Discounted cash flow method and market comparable method	Estimated rental value (per sqm p.a.)	RMB828	NA
		Rental growth p.a.	5.00% – 7.00%	NA
		Long term vacancy rate	5.00%	NA
		Discount rate	5.50%	NA
		Price per sqm	RMB15,096	NA
Property 10 – Ningbo Jiayuan Plaza	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	RMB696 – RMB5,160	RMB684 – RMB5,040
Property 11 – Ningbo Huijin Building	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	RMB893 – RMB5,040	RMB875 – RMB5,040
Property 12 – Changsha Jinmao Mall of Splendor	Discounted cash flow method and market comparable method	Estimated rental value (per sqm p.a.)	RMB650	RMB1,201
		Rental growth p.a.	3.50% – 5.00%	3.00%
		Long term vacancy rate	5.00%	5.00%
		Discount rate	6.00%	6.76%
		Price per sqm	RMB14,002	NA
Property 13 – Beijing Chaoyang Jinmao Centre Project	Residual method	Developer's profit rate	5.00%	5.00%
	Term and reversion method	Reversionary yield	5.00% – 5.50%	5.00% – 5.50%
		Market rent (per sqm p.a.)	RMB2,280 – RMB3,600	RMB2,280 – RMB3,600
Property 14 – Nanjing Southern Hexi Yuzui Land Parcel No. G97	Residual method	Developer's profit rate	5.00%	5.00%
	Term and reversion method	Reversionary yield	3.00% – 6.00%	3.00% – 6.00%
		Market rent (per sqm p.a.)	RMB1,680 – RMB2,544	RMB1,680 – RMB2,544
Property 15 – Hangzhou Shangtang Project	Residual method	Developer's profit rate	5.00%	5.00%
	Term and reversion method	Reversionary yield	2.00%	2.00%
		Market rent (per sqm p.a.)	RMB1,392	RMB1,392

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2020	2019
Property 16 – Wangfujing Quadrangle Courtyard	Term and reversion method	Term yield	4.00%	4.00%
		Reversionary yield	4.50%	4.50%
		Market rent (per sqm p.a.)	RMB6,300	RMB6,180
Property 17 – Jinmao Boill e-Wisdom Valley Executive Apartment	Term and reversion method	Term yield	NA	4.84%
		Reversionary yield	NA	4.84%
		Market rent (per sqm p.a.)	NA	RMB665
	Discounted cash flow method	Estimated rental value (per sqm p.a.)	RMB1,090	NA
		Rental growth p.a.	1.00%-3.00%	NA
		Long term vacancy rate	10.00%	NA
		Discount rate	4.84%	NA
Property 18 – Jinmao Boill e-Wisdom Valley Youth Apartment	Discounted cash flow method	Estimated rental value (per sqm p.a.)	RMB1,023	NA
		Rental growth p.a.	3.00%	NA
		Long term vacancy rate	5.00%	NA
		Discount rate	4.04%	NA
Property 19 – Beijing Royal International Mansion	Term and reversion method	Developer's profit rate	5.00% – 5.50%	NA
		Reversionary yield	5.50% – 6.00%	NA
		Market rent (per sqm p.a.)	RMB1,668 – RMB2,484	NA

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase (decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent would result in a significant increase (decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

18. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method, a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis".

The market comparable method is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase (decrease) in the price per square metre would result in a significant increase (decrease) in the fair value of the investment properties.

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to the Group by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by the relevant parties will also be considered.

A significant increase (decrease) in the developer's profit rate would result in a significant decrease (increase) in the fair value of the investment properties.

19. LEASES

The Group as a lessee

The Group has lease contracts mainly for properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of office properties and staff quarters generally have lease terms between 2 and 15 years.

(a) ***Right-of-use assets***

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Office properties and staff quarters RMB'000	Total RMB'000
As at 1 January 2019	1,511,932	107,030	1,618,962
Additions	–	116,418	116,418
Additions as a result of acquisition of subsidiaries (note 42)	10,521	10,169	20,690
Transfer to investment properties (note 18)	(1,935)	–	(1,935)
Depreciation charge (note 6)	(54,567)	(85,262)	(139,829)
As at 31 December 2019 and 1 January 2020	**1,465,951**	**148,355**	**1,614,306**
Additions	–	**1,049,145**	**1,049,145**
Additions as a result of acquisition of subsidiaries (note 42)	–	**6,831**	**6,831**
Transfer to investment properties (note 18)	–	**(869,941)**	**(869,941)**
Depreciation charge (note 6)	**(54,612)**	**(110,537)**	**(165,149)**
As at 31 December 2020	**1,411,339**	**223,853**	**1,635,192**

19. LEASES (Continued)

The Group as a lessee (Continued)

(a) *Right-of-use assets* (Continued)

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of RMB142,871,000 were pledged to secure bank loans granted to the Group (2020: Nil) (note 34).

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**195,609**	96,004
New leases	**1,037,659**	169,143
Additions as a result of acquisition of subsidiaries (note 42)	**4,814**	8,856
Accretion of interest recognised during the year (note 8)	**40,907**	7,430
Payments	**(179,414)**	(85,824)
Carrying amount at 31 December	**1,099,575**	195,609
Analysed into		
Current portion	**96,548**	75,244
Non-current portion	**1,003,027**	120,365

The maturity analysis of lease liabilities is disclosed in note 51 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain office properties and staff quarters during the year.

19. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Interest on lease liabilities	40,907	7,430
Depreciation charge of right-of-use assets	165,149	139,829
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December (included in cost of sales)	6,531	6,666
Expense relating to leases of low-value assets (included in administrative expenses)	26,115	7,539
Total amount recognised in profit or loss	238,702	161,464

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 45(c) and 47, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 18) consisting of 19 commercial properties in Mainland China under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB1,461,345,000 (2019: RMB1,446,776,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	1,238,413	1,330,942
After one year but within two years	973,808	930,780
After two years but within three years	365,455	396,793
After three years but within four years	212,048	176,569
After four years but within five years	110,358	133,390
After five years	323,568	222,615
	3,223,650	3,191,089

20. INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2020	
At 1 January 2020	
Cost	150,611
Accumulated amortisation and impairment	(100,588)
Net carrying amount	50,023
Cost at 1 January 2020, net of accumulated amortisation and impairment	50,023
Additions	77,440
Acquisition of subsidiaries (note 42)	1,833
Disposal of subsidiaries (note 44)	(664)
Disposals	(220)
Amortisation provided during the year (note 6)	(20,940)
At 31 December 2020	107,472
At 31 December 2020	
Cost	195,336
Accumulated amortisation and impairment	(87,864)
Net carrying amount	107,472

	Computer software RMB'000
31 December 2019	
At 1 January 2019:	
Cost	129,244
Accumulated amortisation and impairment	(84,429)
Net carrying amount	44,815
Cost at 1 January 2019, net of accumulated amortisation and impairment	44,815
Additions	18,743
Acquisition of subsidiaries (note 42)	543
Disposals	(671)
Amortisation provided during the year (note 6)	(13,407)
At 31 December 2019	50,023
At 31 December 2019:	
Cost	150,611
Accumulated amortisation and impairment	(100,588)
Net carrying amount	50,023

21. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES

Investments in joint ventures

	2020 RMB'000	2019 RMB'000 (Restated)
Share of net assets	**16,319,443**	11,511,385

The amounts due from and to joint ventures are disclosed in note 27 to the financial statements.

All of the Group's investments in joint ventures are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain joint ventures because the share of loss of the joint ventures exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint ventures for the current year and cumulatively were RMB424,992,000 (2019: RMB356,132,000) and RMB904,219,000 (2019: RMB479,227,000), respectively.

The joint ventures of the Group are considered not individually material and the following table illustrates the aggregate financial information of the joint ventures:

	2020 RMB'000	2019 RMB'000 (Restated)
Share of the joint ventures' profit for the year	**371,098**	722,390
Share of the joint ventures' total comprehensive income for the year	**371,098**	722,390
Aggregate carrying amount of the Group's investments in the joint ventures	**16,319,443**	11,511,385

Joint operations

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Jin Mao, an indirect wholly-owned subsidiary of the Company was established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Jin Mao agreed to make a capital injection of RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, to subscribe for its new registered capital.

21. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

On 28 July 2011, Qingdao Jin Mao completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	200	266
Total non-current assets	200	266
Current assets		
Properties held for sale	332,926	382,146
Properties under development	151,671	94,284
Prepayments, other receivables and other assets	18,062	13,990
Prepaid tax	43,439	23,791
Restricted bank balances	65,485	114,482
Cash and cash equivalents	8,391	28,065
Total current assets	619,974	656,758
Current liabilities		
Trade and bills payables	134,817	310,728
Other payables and accruals	314,399	201,080
Total current liabilities	449,216	511,808
Net current assets	170,758	144,950
Total assets less current liabilities	170,958	145,216
Non-current liabilities		
Deferred tax liabilities	–	1
Net assets	170,958	145,215

21. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

	2020 RMB'000	2019 RMB'000
Revenue	65,501	29,045
Cost of sales	6,721	(23,107)
Gross profit	72,222	5,938
Other income and gains	759	487
Selling and marketing expenses	(2,131)	(1,128)
Administrative expenses	(2,912)	(4,490)
Profit before tax	67,938	807
Income tax	(38,498)	9,963
Profit for the year	29,440	10,770

22. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000 (Restated)
Share of net assets	11,105,070	7,597,657

The amounts due from and to associates are disclosed in note 27 to the financial statements.

All of the Group's investments in associates are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were RMB657,708,000 (2019: RMB79,154,000) and RMB830,248,000 (2019: RMB172,540,000), respectively.

The associates of the Group are considered not individually material and the following table illustrates the aggregate financial information of the associates:

	2020 RMB'000	2019 RMB'000 (Restated)
Share of the associates' profit/(loss) for the year	698,297	(132,653)
Share of the associates' total comprehensive income/(loss) for the year	698,297	(132,653)
Aggregate carrying amount of the Group's investments in the associates	11,105,070	7,597,657

23. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	158,777	157,704
Consumables and tools	3,093	3,117
Hotel merchandise	11,351	10,547
Trading stock	2,671	2,806
	175,892	174,174

24. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	468,391	1,462,059
Impairment	(21,615)	(16,195)
	446,776	1,445,864

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group had pledged trade receivables of approximately RMB25,514,000 to secure a bank loan granted to the Group (note 34) as at 31 December 2019.

24. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 month	139,498	76,258
1 to 3 months	95,817	1,182,884
4 to 6 months	67,956	52,428
6 months to 1 year	48,027	68,641
Over 1 year	95,478	65,653
	446,776	1,445,864

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	16,195	9,653
Impairment losses, net (note 6)	5,420	6,542
At 31 December	21,615	16,195

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

24. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	**0.02%**	**1.19%**	**1.40%**	**27.06%**	**4.61%**
Gross carrying amount (RMB'000)	**378,977**	**3,964**	**6,347**	**79,103**	**468,391**
Expected credit losses (RMB'000)	**75**	**47**	**89**	**21,404**	**21,615**

As at 31 December 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.02%	1.22%	7.33%	31.70%	1.11%
Gross carrying amount (RMB'000)	1,409,708	1,561	1,133	49,657	1,462,059
Expected credit losses (RMB'000)	351	19	83	15,742	16,195

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000 (Restated)
Prepayments	**15,603,587**	8,529,350
Deposits	**4,132,475**	5,712,809
Other receivables	**6,046,558**	9,652,399
Due from non-controlling shareholders	**11,960,338**	6,269,918
Others	**332,574**	87,764
	38,075,532	30,252,240

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

The current balances of amounts due from non-controlling shareholders are unsecured, interest-free and repayable within one year, except for the amounts of RMB8,945,043,000, in aggregate, which bear interest at rates ranging from 0.35% to 4.75% per annum (2019: RMB4,158,874,000, in aggregate, which bear interest at rates ranging from 0.35% to 4.35% per annum).

Management expects the contracts costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts as contract costs and amortised when the related revenue are recognised.

As at 31 December 2020, the non-current balance included a pledged deposit of RMB246,000,000 (2019: RMB246,000,000) made to a local government for performance guarantee, which is not repayable within one year.

26. CONTRACT ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Contract assets arising from design, construction and decoration services	**789,328**	267,009	154,500
	789,328	267,009	154,500

Contract assets are initially recognised for other revenue earned from the design, construction and decoration services as the receipt of consideration is conditional on successful completion of services, respectively. Included in contract assets for design, construction and decoration services are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2020 and 2019 was the result of the increase in the ongoing provision of design, construction and decoration services at the end of each of the years.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 is within one year.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2020	2019
Expected credit loss rate	**0%**	0%
Gross carrying amount (RMB'000)	**789,328**	267,009
Expected credit losses (RMB'000)	**–**	–

27. BALANCES WITH RELATED PARTIES

An analysis of the amounts due from related parties is as follows:

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Current:			
Due from related parties:			
The ultimate holding company		283	280
An intermediate holding company		360	–
The immediate holding company		1,308	1,392
Fellow subsidiaries		134,982	57,904
Associates	(i)	7,887,305	13,161,106
Joint ventures	(ii)	20,127,331	23,608,363
The substantial shareholder	(iii)	1,305,290	1,435,928
Impairment allowance	7	(1,311,180)	–
		28,145,679	38,264,973
Non-current:			
Due from related parties:			
Fellow subsidiaries		–	64,398
Associates	(iv)	1,526,881	1,265,515
Joint ventures	(v)	12,013,207	6,927,839
The substantial shareholder	(vi)	873,704	–
		14,413,792	8,257,752

27. BALANCES WITH RELATED PARTIES (Continued)

At each reporting date, an impairment analysis is performed using the general approach to recognise the ECLs on the amounts due from the related parties. For those associates and joint ventures undertaking property development projects, if applicable, the loss allowance is measured at an amount equal to the lifetime ECL which would be calculated by taking into account the impairment losses of the properties under development and properties held for sale held by the associates and joint ventures. The ECLs reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 December 2020, the loss allowance was assessed and recognised at an amount of RMB1,311,180,000 (2019: Nil).

The amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

(i) The current balances of amounts due from associates as at 31 December 2020 include the amounts of RMB2,840,919,000, in aggregate, which bear interest at rates ranging from 4.35% to 10.00% per annum (2019: RMB6,446,393,000, in aggregate, which bear interest at rates ranging from 4.35% to 10.00% per annum).

(ii) The current balances of amounts due from joint ventures as at 31 December 2020 include the amounts of RMB9,109,020,000, in aggregate, which bear interest at rates ranging from 2.18% to 13.88% per annum (2019: RMB11,651,801,000, in aggregate, which bear interest at rates ranging from 2.00% to 10.00% per annum).

(iii) The current balances of amounts due from the substantial shareholder as at 31 December 2020 include the amounts of RMB1,014,548,000, in aggregate, which bear interest at a rate of 2.18% per annum (2019: RMB1,435,928,000, in aggregate, which bear interest at rates ranging from 2.175% to 2.75% per annum).

(iv) The non-current balances of amounts due from associates as at 31 December 2020 include the amounts of RMB1,311,278,000, in aggregate, which bear interest at rates ranging from 2.42% to 12.00% per annum (2019: RMB1,265,515,000, in aggregate, which bear interest at a rate of 8.00% per annum).

(v) The non-current balances of amounts due from joint ventures as at 31 December 2020 include the amounts of RMB11,510,036,000, in aggregate, which bear interest at rates ranging from 1.93% to 12.00% per annum (2019: RMB6,927,839,000, which bears interest at a rate of 8.00% per annum).

(vi) The non-current balances of amounts due from the substantial shareholder as at 31 December 2020 include an amount of RMB844,192,000, which bears interest at a rate of 2.75% per annum (2019: Nil).

27. BALANCES WITH RELATED PARTIES (Continued)

An analysis of the amounts due to related parties is as follows:

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Current:			
Due to related parties:			
The ultimate holding company		2,170	61,347
An intermediate holding company		24,708	6,901,926
The immediate holding company		9,291,416	10,615,072
Fellow subsidiaries		7,882,360	2,040,945
Associates	(i)	8,033,323	4,874,312
Joint ventures	(ii)	12,158,468	7,306,513
An associate of the Group's ultimate holding company		2,671	2,678
The substantial shareholder		740,867	100,652
		38,135,983	31,903,445
Non-current:			
Due to related parties:			
An intermediate holding company	(iii)	9,818,013	–
Associates	(iv)	1,135,937	–
Joint venture	(v)	100,000	–
		11,053,950	–

The amounts due to related parties are unsecured, interest-free and are repayable on demand, except for the following:

(i) The current balances of amounts due to associates as at 31 December 2020 include the amounts of RMB1,415,406,000, in aggregate, which bear interest at rates ranging from 3.05% to 4.75% per annum (2019: Nil).

(ii) The current balances of amounts due to joint ventures as at 31 December 2020 include an amount of RMB690,000,000, which bears interest at a rate of 4.75% per annum (2019: RMB1,012,434,000, which bears interest at a rate of 8.69% per annum).

(iii) The non-current balances of amounts due to an intermediate holding company as at 31 December 2020 include the amounts of RMB9,300,000,000, in aggregate, which bear interest at rates ranging from 4.20% to 4.35% per annum and are repayable in 2022 (2019: Nil).

27. BALANCES WITH RELATED PARTIES (Continued)

An analysis of the amounts due to related parties is as follows (Continued):

(iv) The non-current balances of amounts due to associates as at 31 December 2020 include the amounts of RMB1,115,500,000, in aggregate, which bear interest at rates ranging from 2.38% to 4.28% per annum and are repayable in 2023 (2019: Nil).

(v) The non-current balances of amounts due to a joint venture as at 31 December 2020 include an amount of RMB100,000,000, which bears interest at a rate of 2.00% per annum and is repayable in 2022 (2019: Nil).

28. OTHER FINANCIAL ASSETS

	2020 RMB'000	2019 RMB'000
Non-current balances		
Unlisted equity investments, at fair value	50,000	230,000
Other unlisted investments, at fair value	96,669	95,274
	146,669	325,274
Current balances		
Other unlisted investments, at fair value	501,047	1,077
	501,047	1,077
	647,716	326,351

The above equity investments were classified as financial assets at fair value through profit or loss.

The above other unlisted investments were wealth management products issued by banks in Mainland China.

29. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES AND DEPOSITS

	2020 RMB'000	2019 RMB'000 (Restated)
Cash and bank balances	**40,052,376**	17,808,083
Time deposits	**12,025,378**	10,948,456
	52,077,754	28,756,539
Less:		
Restricted bank balances	**(8,622,174)**	(7,510,751)
Long-term time deposit	**–**	(3,300,000)
Cash and cash equivalents	**43,455,580**	17,945,788

At 31 December 2020, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB38,370,842,000 (2019: RMB20,458,337,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of within one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the Group's cash and cash equivalents are deposits of RMB6,611,320,000 (2019: RMB3,164,011,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.35% to 1.725% per annum (2019: 0.35% to 1.50%). The Group's long-term time deposit of RMB3,300,000,000 as at 31 December 2019 was placed with Sinochem Finance and had a term of 2 years with a fixed rate of 3.15% per annum. Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 48(a) to the financial statements.

30. DUE FROM NON-CONTROLLING SHAREHOLDERS

The non-current balances of amounts due from non-controlling shareholders are unsecured, bear interest at rates ranging from 0.35% to 4.75% (2019: 2.18% to 4.75%) per annum and are not repayable within one year.

31. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Within 1 year or on demand	**20,555,439**	18,426,714
Over 1 year	**1,351,409**	660,225
	21,906,848	19,086,939

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

32. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Other payables	(a)	**16,920,670**	11,685,308
Receipts in advance		**128,597**	111,303
Contract liabilities	(b)	**81,493,761**	64,873,929
Accruals		**175,909**	234,730
Due to non-controlling shareholders	(c)	**4,902,565**	4,851,234
Dividend payable to non-controlling shareholders		**250**	250
Deferred revenue		**1,180,365**	1,034,119
		104,802,117	82,790,873

Notes:

(a) Other payables are non-interest-bearing with an average term of not more than one year.

(b) Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)	1 January 2019 RMB'000 (Restated)
Short-term advances received from customers:			
Sale of properties	**81,113,070**	64,548,683	47,023,110
Land development	**23,586**	–	–
Hotel operations	**80,425**	96,967	85,241
Others	**276,680**	228,279	98,126
Total contract liabilities	**81,493,761**	64,873,929	47,206,477

Contract liabilities include short-term advances received to deliver completed properties and land development assets, render hotel operations, design and decoration services and management services. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in short-term advances received from customers in relation to the sales of properties at the end of the years.

(c) The amounts due to non-controlling shareholders as at 31 December 2020 are unsecured, interest-free and are repayable on demand, except for the amounts of RMB2,861,677,000, in aggregate, which bear interest at rates ranging from 4.35% to 12.00% per annum (2019: RMB3,326,892,000, in aggregate, which bear interest at rates ranging from 3.43% to 10.00% per annum).

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 Liabilities RMB'000	2019 Liabilities RMB'000
Interest rate swaps	**95,792**	34,991
Cross currency interest rate swaps	**–**	17,880
Foreign currency forward contract	**–**	253
Carrying amount at 31 December	**95,792**	53,124
Current portion	**(10,403)**	(18,133)
Non-current portion	**85,389**	34,991

Derivative financial instruments of the Group were conducted with creditworthy banks.

Cash flow hedge – Interest rate risk and foreign currency risk
At 31 December 2020, the Group had interest rate swap agreements in place with a notional amount of HK$1,920,000,000 whereby they pay interest at fixed rates ranging from of 3.81% to 4.45% and receive interest at variable rates equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.45% to 1.65% on the notional amount. The swaps are being used to hedge the interest rate exposure of a floating rate unsecured bank loans with an aggregate face value of HK$1,920,000,000.

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with notional amounts of US$250,000,000 and HK$1,960,350,000 whereby they pay interest at a fixed rate of 3.45% and pay HK$1,960,350,000 on the maturity date, and receive interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.1% and receive US$250,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with a face value of US$250,000,000.

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with notional amounts of JPY2,000,000,000 and HK$145,137,881 whereby they pay interest at a variable rate equal to LIBOR plus 1.62% and pay HK$145,137,881 on the maturity date, and receive interest at a variable rate equal to LIBOR plus 1% and receive JPY2,000,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with a face value of JPY2,000,000,000.

At 31 December 2019, the Group had a foreign currency forward contract in place with notional amounts of US$94,380,000 and HK$735,503,340 whereby they pay HK$735,503,340 on the maturity date, and receive US$94,380,000 on the maturity date. The foreign currency forward contract is being used to hedge the foreign currency risk exposure to the unsecured bank loan with a face value of US$94,380,000.

33. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

There is an economic relationship between the hedged items and the hedging instruments as the terms of the swaps and foreign currency forward contracts match the terms of the variable rate foreign currency denominated bank loans (i.e., notional amount, maturity and payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the swaps and foreign currency forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted payments and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000 (Restated)
Current						
Bank loans, secured	–	–	–	4.13-4.99	2020	1,308,550
Bank loans, unsecured	2.15-4.00	2021	8,012,672	1.62-5.69	2020	5,624,278
Other loans, unsecured	4.37	2021	690,000	–	–	–
Current portion of long term bank loans, secured	4.28-5.39	2021	2,049,150	4.15-5.61	2020	1,148,500
Current portion of long term bank loans, unsecured	4.75-5.28	2021	6,575,056	3.48-5.46	2020	5,870,461
Current portion of long term other loans, unsecured	4.37-7.00	2021	3,572,816	4.75-7.07	2020	7,609,408
Current portion of long term notes, unsecured	4.99-6.75	2021	6,871,735	3.55-4.78	2020	5,430,238
			27,771,429			26,991,435
Non-current						
Bank loans, secured	4.15-5.61	2022–2027	6,619,088	4.28-6.65	2021-2030	11,591,826
Bank loans, unsecured	1.52-5.70	2022–2031	16,015,210	2.86-5.70	2021-2029	14,658,927
Other loans, unsecured	5.50-6.90	2023–2024	19,031,370	3.53-7.21	2021-2037	22,478,182
Other loans, secured	2.65-4.10	2022–2037	9,492,000	–	–	–
Notes, unsecured	3.28-6.40	2022–2029	9,849,181	3.60-6.75	2021-2024	17,051,316
Domestic corporate bonds, unsecured	3.10-3.72	2022–2024	8,800,000	3.65-3.72	2021-2024	3,800,000
			69,806,849			69,580,251
			97,578,278			96,571,686

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2020 RMB'000	2019 RMB'000 (Restated)
Analysed into:		
Bank loans repayable:		
Within one year	**16,636,878**	13,951,789
In the second year	**12,236,182**	6,332,832
In the third to fifth years, inclusive	**8,291,406**	16,570,116
Beyond five years	**2,106,710**	3,347,805
	39,271,176	40,202,542
Other borrowings repayable:		
Within one year	**11,134,551**	13,039,646
In the second year	**12,259,795**	13,844,802
In the third to fifth years, inclusive	**21,224,915**	18,339,185
Beyond five years	**13,687,841**	11,145,511
	58,307,102	56,369,144
	97,578,278	96,571,686

Notes:

(a) As at 31 December 2020, the Group had loan facilities amounting to RMB173,624,510,000 (2019: RMB158,435,999,000), of which RMB72,057,362,000 (2019: RMB69,754,582,000) had been utilised.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of RMB219,982,000 (2019: RMB297,415,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately RMB75,307,751,000 (2019: RMB52,622,566,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of RMB132,501,000 (2019: RMB132,501,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately RMB11,317,930,000 (2019: RMB12,902,640,000);

(v) mortgages over certain of the Group's right-of-use assets, which had an aggregate carrying amount at 31 December 2019 of RMB142,871,000;

(vi) mortgages over certain of the Group's trade receivables, which had an aggregate carrying amount at 31 December 2019 of RMB25,514,000; and

(vii) pledge of certain of the equity interests in the Group's joint ventures, which had an aggregate carrying amount at 31 December 2019 of RMB551,668,000.

(c) Except for the bank and other borrowings amounting to approximately RMB21,225,405,000 (2019: RMB17,218,509,000), RMB13,673,743,000 (2019: RMB14,495,399,000) and RMB0 (2019: RMB127,688,000) which are denominated in United States dollars, Hong Kong dollars and Japanese Yen respectively, all bank and other borrowings are denominated in RMB.

35. PROVISION FOR LAND APPRECIATION TAX

	RMB'000
At 1 January 2019	2,680,888
Charged to the statement of profit or loss during the year (note 11)	1,855,576
Payment during the year	(713,145)
Transfer from prepaid tax	(533,184)
At 31 December 2019 and 1 January 2020	**3,290,135**
Charged to the statement of profit or loss during the year (note 11)	**913,728**
Payment during the year	**(1,558,981)**
Transfer from prepaid tax	**(570,736)**
At 31 December 2020	**2,074,146**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the pre-sales and sales proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

36. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Accrued interest income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019 as originally stated	3,500,487	605,785	732,288	142,197	126,124	170,872	5,277,753
Effect of adopting merger accounting for common control combination	–	–	–	–	–	801	801
At 1 January 2019 as restated	3,500,487	605,785	732,288	142,197	126,124	171,673	5,278,554
Acquisition of subsidiaries (note 42)	–	–	440,671	–	–	–	440,671
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	222,176	73,457	(357,883)	–	97,088	151,948	186,786
Deferred tax charged to the statement of comprehensive income during the year	17,332	–	–	–	–	–	17,332
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	**3,739,995**	**679,242**	**815,076**	**142,197**	**223,212**	**323,621**	**5,923,343**
Acquisition of subsidiaries (note 42)	**–**	**–**	**738,975**	**–**	**–**	**–**	**738,975**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	**298,264**	**46,656**	**(410,659)**	**–**	**(160,916)**	**405,071**	**178,416**
Gross deferred tax liabilities at 31 December 2020	**4,038,259**	**725,898**	**1,143,392**	**142,197**	**62,296**	**728,692**	**6,840,734**

36. DEFERRED TAX (Continued)

Deferred tax assets

	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	662,484	360,907	863,913	47,419	1,934,723
Acquisition of subsidiaries (note 42)	–	175,748	–	–	175,748
Deferred tax credited to the statement of profit or loss during the year (note 11)	114,621	175,870	334,542	9,041	634,074
Disposal of subsidiaries (note 44)	–	(1,557)	(21,814)	–	(23,371)
Gross deferred tax assets at 31 December 2019 and 1 January 2020	777,105	710,968	1,176,641	56,460	2,721,174
Acquisition of subsidiaries (note 42)	–	14,508	–	–	14,508
Deferred tax credited to the statement of profit or loss during the year (note 11)	(336,683)	(42,515)	48,059	691,900	360,761
Disposal of subsidiaries (note 44)	–	–	(30,770)	–	(30,770)
Gross deferred tax assets at 31 December 2020	440,422	682,961	1,193,930	748,360	3,065,673

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

36. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000	2019 RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**3,052,845**	2,708,346
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(6,827,906)**	(5,910,515)
	(3,775,061)	(3,202,169)

The Group also has tax losses arising in Mainland China of RMB4,508,776,000 (2019: RMB3,091,488,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, the Group recognised deferred tax liabilities of approximately RMB142,197,000 (2019 RMB142,197,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining unremitted earnings of the Group's subsidiaries, associates, joint ventures and joint operations will be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, associates, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB31,700,547,000 at 31 December 2020 (2019: RMB34,751,989,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

37. PERPETUAL CAPITAL INSTRUMENTS

(a) 2016 Subordinate Guaranteed Perpetual Capital Securities

On 4 February 2016, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,270,950,000). The direct transaction costs attributable to the issuance amounted to US$1,470,000 (equivalent to approximately RMB9,619,000).

The securities confer a right to receive distributions at the applicable distribution rate of 6% per annum from and including 4 February 2016, payable semi-annually on 4 February and 4 August of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(b) 2016 Domestic Renewable Corporate Bonds

On 16 June 2016, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the domestic renewable corporate bonds with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB5,737,000.

The coupon rate was fixed at 3.70% and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

On 16 June 2019, the Group redeemed all of these domestic renewable corporate bonds with a principal amount of RMB2,000,000,000.

(c) 2017 Subordinate Guaranteed Perpetual Capital Securities

On 17 January 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an amount of US$497,615,000 (equivalent to approximately RMB3,433,145,000), at 99.523% of the principal amount of US$500,000,000. The direct transaction costs attributable to the issuance amounted to US$3,862,000 (equivalent to approximately RMB26,645,000).

The securities confer a right to receive distributions at the applicable distribution rate of 5.75% per annum from and including 17 January 2017, payable semi-annually on January 17 and July 17 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

On 6 November 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,987,410,000). The direct transaction costs attributable to the issuance amounted to US$196,000 (equivalent to approximately RMB1,296,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.875% per annum from and including 6 May 2018, payable semi-annually on May 6 and November 6 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

37. PERPETUAL CAPITAL INSTRUMENTS (Continued)

(d) 2017 Senior Guaranteed Perpetual Capital Securities

On 3 July 2017, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to RMB2,033,160,000). On 1 September 2017, Franshion Brilliant Limited completed another issue of the senior guaranteed perpetual capital securities with an amount of US$200,182,000 (equivalent to RMB1,319,380,000), at 100.091% of the principal amount of US$200,000,000 and an accrued distribution of US$1,289,000 (equivalent to RMB8,495,000) compensated from the bankers.

The securities confer a right to receive distribution at 4.00% per annum payable semi-annually in arrears beginning on 3 January 2018 with no stated maturity date. The transaction costs related to the issuance were approximately US$1,735,000 (equivalent to RMB11,566,000).

(e) 2017 Hwabao Trust Perpetual Capital Securities

On 22 December 2017, Jinmao Investment Management (Shanghai) Co., Ltd. completed an issue of the guaranteed perpetual capital securities, in an aggregate principal amount of RMB621,000,000 with the trust plan established by Hwabao Trust Co., Ltd.

The securities confer a right to receive distribution at 6.95% per annum payable semi-annually in arrears beginning on 21 June 2018. The issuer, may at its sole discretion, elect to defer a distribution pursuant to the terms of the securities.

On 29 December 2020, the Group redeemed all of these guaranteed perpetual capital securities with a principal amount of RMB621,000,000.

(f) 2018 Senior Guaranteed Perpetual Capital Securities

On 4 December 2018, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to RMB2,068,170,000). The direct transaction costs attributable to the issuance amounted to US$1,997,700 (equivalent to approximately RMB13,772,000).

The securities confer a right to receive distributions at the 6.90% per annum payable semi-annually in arrears beginning on 4 December 2018 with no stated maturity date. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

37. PERPETUAL CAPITAL INSTRUMENTS (Continued)

(g) 2018 Domestic Unsecured Perpetual Medium-Term Notes

On 18 December 2018, Jinmao Investment Management (Shanghai) Co., Ltd., issued the unsecured perpetual medium-term notes, with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB6,882,000.

The notes confer a right to receive distribution at 5.00% per annum payable annually beginning on 20 December 2018 and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

(h) 2019 Subordinate Guaranteed Perpetual Capital Securities

On 6 December 2019, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,815,320,000). The direct transaction costs attributable to the issuance amounted to US$759,000 (equivalent to approximately RMB5,340,000).

The securities confer a right to receive distributions at the applicable distribution rate of 7.125% per annum from and including 6 June 2020, payable semi-annually on 6 June and 6 December of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(i) 2020 Sinochem Corporation Perpetual Debts

On 14 December 2020, Jinmao Investment Management (Tianjin) Co., Ltd. entered into a perpetual debt agreement, in an aggregate principal amount of RMB5,000,000,000 with its intermediate holding company, Sinochem Corporation. The debts confer a right to receive distribution at 4.95% per annum payable annually in arrears beginning on 14 December 2021. Jinmao Investment Management (Tianjin) Co., Ltd., may at its sole discretion, elect to defer a distribution pursuant to the terms of the debts.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the perpetual capital instruments in (a) to (i) above due to redemption other than an unforeseen liquidation of the Company or the issuers. Accordingly, these instruments are classified as equity instruments.

38. SHARE CAPITAL

Shares

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
12,736,243,290 (2019: 11,769,524,490) ordinary shares	11,527,148	10,660,742

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	11,553,528,329	20,416,452
Issue of new shares (note a)	169,494,061	724,385
Share options exercised (note b)	46,502,100	110,023
At 31 December 2019 and 1 January 2020	11,769,524,490	21,250,860
Issue of new shares (note c)	951,790,000	4,845,815
Share options exercised (note d)	14,928,800	35,573
31 December 2020	12,736,243,290	26,132,248

Notes:

(a) The Company issued 169,494,061 ordinary shares at the placing price of HK$4.8106 per share with net proceeds of approximately RMB724,385,000.

(b) 46,502,100 share options were exercised at the subscription price of HK$2.44 per share or HK$2.196 per share (note 39), resulting in the issue of 46,502,100 shares for a total cash consideration, before expenses, of RMB89,794,000. An amount of RMB20,229,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(c) The Company issued 951,790,000 ordinary shares at the placing price of HK$5.70 per share with net proceeds of approximately RMB4,845,815,000.

(d) 14,928,800 share options were exercised at the subscription price of HK$2.196 per share (note 39), resulting in the issue of 14,928,800 shares for a total cash consideration, before expenses, of RMB29,428,000. An amount of RMB6,145,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

39. SHARE OPTION SCHEME

2007 Scheme

The Company operated a share option scheme (the "2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the 2007 Scheme included the Company's executive and non-executive directors and the Group's senior management, key technical and professional personnel, managers and employees, but did not include the Company's independent non-executive directors. The 2007 Scheme became effective on 22 November 2007 and expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the 2007 Scheme continued to be valid and exercisable in accordance with the terms of issue.

The maximum number of unexercised share options currently permitted to be granted under the 2007 Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2007 Scheme within any 12-month period was limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit was subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, were subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options might be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options was related to the performance of individuals and of the Company. The board of directors would determine performance targets concerned and set out in the grant notice. The share options granted would become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options was determinable by the directors, but might not be less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

Share options did not confer rights on the holders to dividends or to vote at shareholders' meetings.

39. SHARE OPTION SCHEME (Continued)

2007 Scheme (Continued)

The following share options were outstanding under the 2007 Scheme during the year:

	2020		2019	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	**2.20**	**89,258,000**	2.32	138,354,900
Forfeited during the year	**2.20**	**(1,160,000)**	2.20	(2,594,800)
Exercised during the year	**2.20**	**(14,928,800)**	2.23	(46,502,100)
At 31 December	**2.20**	**73,169,200**	2.20	89,258,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.20 per share (2019: HK$2.23 per share).

The exercise prices and exercise periods of the share options outstanding under the 2007 Scheme as at the end of the reporting period are as follows:

2020

Number of options	Exercise price* HK$ per share	Exercise period
5,458,800	**2.196**	**17 October 2018 to 16 October 2023**
25,799,200	**2.196**	**17 October 2019 to 16 October 2023**
41,911,200	**2.196**	**17 October 2020 to 16 October 2023**
73,169,200		

2019

Number of options	Exercise price* HK$ per share	Exercise period
8,017,800	2.196	17 October 2018 to 16 October 2023
37,128,200	2.196	17 October 2019 to 16 October 2023
44,112,000	2.196	17 October 2020 to 16 October 2023
89,258,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

39. SHARE OPTION SCHEME (Continued)

2007 Scheme (Continued)

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), of which the Group recognised a share option expense of HK$5,695,000 (equivalent to RMB5,065,000) (2019: RMB12,604,000) during the year ended 31 December 2020.

The 14,928,800 share options exercised during the year resulted in the issue of 14,928,800 ordinary shares of the Company and new share capital of HK$39,629,000 (equivalent to RMB35,573,000) (before issue expenses), as further detailed in note 38 to the financial statements.

New Scheme

On 29 January 2019, a new share option scheme (the "New Scheme") was adopted by the Company to enhance the Company's continuous commitment to eligible participants and enhance them to pursue the objectives of the Company. On 8 February 2019, an aggregate of 265,950,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$3.99 per share. One-third of the share options granted will be vested in two years from 8 February 2019, one-third of the share options granted will be vested in three years from 8 February 2019 and one-third of the options granted will be vested in four years from 8 February 2019. Once the share options are vested, they are exercisable until 7 February 2026.

On 9 September 2019, an aggregate of 9,000,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$4.58 per share. One-third of the share options granted will be vested in two years from 9 September 2019, one-third of the share options granted will be vested in three years from 9 September and one-third of the options granted will be vested in four years from 9 September. Once the share options are vested, they are exercisable until 8 September 2026.

According to the terms of the New Scheme, the board of directors shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company.

39. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the share options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay a consideration of HK$1 or the equivalent (to be determined on the date when the offer of the grant is accepted) to the Company for acceptance of the offer of the grant of the share option.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the New Scheme during the year:

	2020		2019	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	4.01	269,100,000	–	–
Granted during the year	–	–	4.01	274,950,000
Forfeited during the year	3.99	(6,750,000)	3.99	(5,850,000)
At 31 December	4.01	262,350,000	4.01	269,100,000

The exercise prices and exercise periods of the share options outstanding under the New Scheme as at the end of the reporting period are as follows:

2020

Number of options	Exercise price* HK$ per share	Exercise period
84,444,000	3.99	8 February 2021 to 7 February 2026
84,444,000	3.99	8 February 2022 to 7 February 2026
84,462,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
262,350,000		

39. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

2019

Number of options	Exercise price* HK$ per share	Exercise period
86,694,000	3.99	8 February 2021 to 7 February 2026
86,694,000	3.99	8 February 2022 to 7 February 2026
86,712,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
269,100,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year ended 31 December 2019 was HK$257,594,000 of which the Group recognised a share option expense of HK$93,020,000 (equivalent to RMB82,721,000) (2019: RMB71,412,000) during the year ended 31 December 2020.

The fair value of equity-settled share options granted during the year ended 31 December 2019 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	4.80-5.26
Expected volatility (%)	37.65-41.15
Historical volatility (%)	37.65-41.15
Risk-free interest rate (%)	1.15-1.63
Contractual life of options (year)	7.00
Exercise multiple (times)	1.5-∞
Weighted average share price (HK$ per share)	3.99-4.58

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 73,169,200 share options outstanding under the 2007 Scheme and 262,350,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 335,519,200 additional ordinary shares of the Company and additional share capital of HK$1,212,766,000 (equivalent to RMB1,078,494,000) (before issue expenses).

40. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 172 to 173 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

Asset revaluation reserve

The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties carried at fair value.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Hedging reserve

The hedging reserve represents reserves related to net investment hedges and cash flow hedges.

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000
2020		
Percentage of equity interest held by non-controlling interests	**72.50%**	**73.50%**
(Loss)/profit for the year allocated to non-controlling interests	**(16,017)**	**205,829**
Dividends declared to non-controlling interests	**–**	**110,250**
Accumulated balances of non-controlling interests at the reporting date	**2,102,226**	**3,530,703**

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2019			
Percentage of equity interest held by non-controlling interests	72.50%	73.50%	33.23%
(Loss)/profit for the year allocated to non-controlling interests	(31,777)	162,170	81,864
Dividends declared to non-controlling interests	–	–	173,758
Accumulated balances of non-controlling interests at the reporting date	2,118,243	3,435,124	1,766,603

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000
2020		
Revenue	3,810	5,069,754
Total expenses	(25,902)	(4,789,714)
(Loss)/profit for the year	(22,092)	280,040
Total comprehensive (loss)/income for the year	(22,092)	280,040
Current assets	7,064,879	7,464,164
Non-current assets	3,317,757	260
Current liabilities	(6,862,139)	(2,289,781)
Non-current liabilities	(623,835)	(363,081)
Net cash flows (used in)/from operating activities	(326,960)	2,785,909
Net cash flows used in investing activities	(185)	(1,800,000)
Net cash flows (used in)/from financing activities	(362,861)	(793,012)
Net (decrease)/increase in cash and cash equivalents	(690,006)	192,897

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2019			
Revenue	1,983	1,629,011	2,473,670
Total expenses	(45,814)	(1,408,372)	(2,227,315)
(Loss)/profit for the year	(43,831)	220,639	246,355
Total comprehensive (loss)/income for the year	(43,831)	220,639	153,223
Current assets	7,383,027	9,677,018	896,248
Non-current assets	3,225,715	376	17,115,259
Current liabilities	(7,365,102)	(3,828,407)	(8,389,723)
Non-current liabilities	(321,604)	(1,167,314)	(4,161,624)
Net cash flows from operating activities	4,621,579	3,733,050	620,182
Net cash flows used in investing activities	(846)	(1,149,956)	(140,050)
Net cash flows used in financing activities	(3,491,358)	(2,470,689)	(533,885)
Net increase/(decrease) in cash and cash equivalents	1,129,375	112,405	(53,753)

42. BUSINESS COMBINATION NOT UNDER COMMON CONTROL

Business combination during the year ended 31 December 2020 mainly included the acquisitions of a number of property development companies and acquisition of additional interests in joint ventures and associates (collectively referred to as the "2020 Acquirees"). 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.

The Group remeasured the fair value of the equity interest previously held as joint ventures or associates at the date of acquisition, and fair value gains of RMB1,307,456,000 were recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2020 (note 5).

The Group has elected to measure the non-controlling interest in the 2020 Acquirees at the non-controlling interest's proportionate share of the 2020 Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the 2020 Acquirees as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	14	3,089
Right-of-use assets	19(a)	6,831
Intangible assets	20	1,833
Investments in associates		197,966
Properties under development	15	24,817,373
Properties held for sale		468,612
Deferred tax assets	36	14,508
Trade and bills receivables		11,100
Prepayments, other receivables and other assets		1,081,192
Prepaid tax		858,604
Cash and cash equivalents		481,017
Trade and bills payables		(462,382)
Other payables and accruals		(7,928,932)
Interest-bearing bank and other borrowings	45	(12,179,396)
Tax payable		(57,549)
Lease liabilities	19(b), 45	(4,814)
Deferred tax liabilities	36	(738,975)
Total identifiable net assets at fair value		6,570,077
Non-controlling interests		(628,428)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(146,548)
		5,795,101
Satisfied by:		
Cash*		4,289,225
Fair value of equity interest previously held as investments in joint ventures and associates		1,505,876
Total purchase consideration		5,795,101

* Cash consideration of RMB2,303,775,000 had been pre-paid by the Group as at 31 December 2019, and the consideration of RMB1,985,450,000 was paid during the year.

42. BUSINESS COMBINATION NOT UNDER COMMON CONTROL (Continued)

The fair values of its other receivables as at the date of acquisition amounted RMB1,081,192,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB303,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group recognised a gain on bargain purchase of approximately RMB146,548,000 in the consolidated statement of profit or loss for the year ended 31 December 2020, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third parties, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash consideration	(1,985,450)
Cash and bank balances acquired	481,017
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(1,504,433)
Transaction costs of the acquisition included in cash flows used in operating activities	(303)
	(1,504,736)

Since the acquisition, the 2020 Acquirees contributed RMB8,088,518,000 to the Group's revenue and incurred a loss of RMB493,417,000 to the consolidated profit for the year ended 31 December 2020 in aggregate.

Had the combination taken place at the beginning of the year ended 31 December 2020, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2020 would have been RMB61,347,684,000 and RMB6,198,478,000, respectively.

42. BUSINESS COMBINATION NOT UNDER COMMON CONTROL (Continued)

Business combination during the year ended 31 December 2019 mainly included the acquisitions of a number of property development companies and acquisition of additional interests in joint ventures and associates (collectively referred to as the "2019 Acquirees"). 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.

The Group remeasured the fair value of the equity interest previously held as joint ventures or associates at the date of acquisition, and fair value gains of RMB346,240,000 were recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2019 (note 5).

The Group has elected to measure the non-controlling interest in the 2019 Acquirees at the non-controlling interest's proportionate share of the 2019 Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the 2019 Acquirees as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	14	154,654
Right-of-use assets	19(a)	20,690
Intangible assets	20	543
Properties under development	15	9,996,192
Properties held for sale		11,527,779
Deferred tax assets	36	175,748
Prepayments, other receivables and other assets		4,995,758
Prepaid tax		681,468
Restricted bank balance		5,705
Cash and cash equivalents		1,526,634
Trade and bills payables		(431,963)
Other payables and accruals		(17,108,997)
Interest-bearing bank and other borrowings	45	(6,680,625)
Lease liabilities	19(b), 45	(8,856)
Deferred tax liabilities	36	(440,671)
Total identifiable net assets at fair value		4,414,059
Non-controlling interests		(793,305)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(401,970)
		3,218,784
Satisfied by:		
Cash		1,318,088
Fair value of equity interest previously held as investments in joint ventures and associates		1,900,696
Total purchase consideration		3,218,784

42. BUSINESS COMBINATION NOT UNDER COMMON CONTROL (Continued)

The fair values of its other receivables as at the date of acquisition amounted RMB4,995,758,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB1,206,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group recognised a gain on bargain purchase of approximately RMB401,970,000 in the consolidated statement of profit or loss for the year ended 31 December 2019, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third parties, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash consideration	(1,318,088)
Cash and bank balances acquired	1,526,634
Net inflow of cash and cash equivalents included in cash flows from investing activities	208,546
Transaction costs of the acquisition included in cash flows used in operating activities	(1,206)
	207,340

Since the acquisition, the 2019 Acquirees contributed RMB7,211,925,000 to the Group's revenue and incurred a loss of RMB177,996,000 to the consolidated profit for the year ended 31 December 2019 in aggregate.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2019 would have been RMB45,294,875,000 and RMB8,848,811,000, respectively.

43. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS

On 12 June 2020, the Group acquired 100% equity interests of Wuhan Huazi Enterprise Management Consulting Co., Ltd. ("Wuhan Huazi") from Sinochem Asset Management Co., Ltd. ("Sinochem Asset Management") at a cash consideration of RMB6,850,000,000. Wuhan Huazi and its subsidiaries are principally engaged in property development, construction and operation of real estate projects in Qingdao and Tianjin, the PRC. Sinochem Asset Management is a wholly-owned subsidiary of Sinochem Group. Since the Group and the above acquired subsidiaries are all under the common control of Sinochem Group and that control is not transitory, the above acquisition was regarded as a business combination under common control and the Group adopted merger accounting in respect of the transaction.

The effects of the application of merger accounting for the business combination under common control occurred during the year ended 31 December 2020 on the Group's financial position as at 31 December 2019 and the results for the year ended 31 December 2019 are summarised as follows:

For the year ended 31 December 2019

	As originally stated RMB'000	Acquired subsidiaries under common control RMB'000	As restated RMB'000
Revenue	43,355,941	–	43,355,941
Cost of sales	(30,591,198)	–	(30,591,198)
Gross profit	12,764,743	–	12,764,743
Other income and gains	6,112,103	23,601	6,135,704
Selling and marketing expenses	(1,314,262)	11,861	(1,302,401)
Administrative expenses	(3,052,246)	(4,166)	(3,056,412)
Other expenses and losses, net	(6,916)	–	(6,916)
Finance costs	(2,269,058)	(1,708)	(2,270,766)
Share of profits and losses of:			
Joint ventures	722,390	–	722,390
Associates	(132,653)	–	(132,653)
Profit before tax	12,824,101	29,588	12,853,689
Income tax expense	(4,194,983)	(47)	(4,195,030)
Profit for the year	8,629,118	29,541	8,658,659
Profit attributable to:			
Owners of the parent	6,452,210	29,541	6,481,751
Non-controlling interests	2,176,908	–	2,176,908
	8,629,118		8,658,659

43. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS (Continued)

For the year ended 31 December 2019 (Continued)

	As originally stated RMB'000	Acquired subsidiaries under common control RMB'000	As restated RMB'000
Profit for the year	8,629,118	29,541	8,658,659
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax	(885,555)	–	(885,555)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax	51,995	–	51,995
Other comprehensive loss for the year, net of tax	(833,560)	–	(833,560)
Total comprehensive income for the year	7,795,558	29,541	7,825,099
Total comprehensive income for the year attributable to:			
Owners of the parent	5,686,345	29,541	5,715,886
Non-controlling interests	2,109,213	–	2,109,213
Total comprehensive income for the year	7,795,558	29,541	7,825,099

The effects of application of merger accounting for the business combination under common control on the Group's basic and diluted earnings per share for the year ended 31 December 2019:

	Basic earnings per share RMB'000	Diluted earnings per share RMB'000
As originally stated	55.38	55.13
Adjustment arising on the business combination under common control	0.26	0.26
As restated	55.64	55.39

43. BUSINESS COMBINATION UNDER COMMON CONTROL AND RESTATEMENTS (Continued)

As at 31 December 2019

	As originally stated RMB'000	Acquired subsidiaries under common control RMB'000	Elimination RMB'000	As restated RMB'000
Non-current assets	154,516,386	4,425,505	–	158,941,891
Current assets	171,632,141	4,307,396	(20)	175,939,517
Total assets	326,148,527	8,732,901	(20)	334,881,408
Non-current liabilities	75,508,283	207,839	–	75,716,122
Current liabilities	164,782,063	1,948,889	(20)	166,730,932
Total liabilities	240,290,346	2,156,728	(20)	242,447,054
Net assets	85,858,181	6,576,173	–	92,434,354
Share capital	21,250,860	6,520,000	(6,520,000)	21,250,860
Reserves	18,121,327	56,173	6,520,000	24,697,500
	39,372,187	6,576,173	–	45,948,360
Non-controlling interests	46,485,994	–	–	46,485,994
Total equity	85,858,181	6,576,173	–	92,434,354

44. DISPOSAL OF SUBSIDIARIES

During the years ended 31 December 2020 and 31 December 2019, the Group lost control over certain subsidiaries.

	Notes	2020 RMB'000	2019 RMB'000
Net assets disposed of:			
Property, plant and equipment	14	4,347	1,034
Intangible assets	20	664	–
Deferred tax assets	36	30,770	23,371
Cash and cash equivalents		3,189,001	1,761,490
Properties under development	15	27,533,056	8,095,596
Properties held for sale		–	1,112,315
Prepayments, other receivables and other assets		2,858,032	3,178,688
Prepaid tax		456,118	486,314
Trade and bills payables		(1,108,363)	(591,881)
Other payables and accruals		(22,667,510)	(6,925,100)
Interest-bearing bank and other borrowings	45	(4,877,100)	(4,384,363)
		5,419,015	2,757,464
Non-controlling interests		(1,023,942)	(799,612)
		4,395,073	1,957,852
Gain on disposal of subsidiaries	5	1,543,156	1,018,026
		5,938,229	2,975,878
Satisfied by:			
Cash		2,814,904	1,652,586
Fair value of interests retained by the Group		3,123,325	1,323,292
		5,938,229	2,975,878

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020 RMB'000	2019 RMB'000
Cash consideration	2,814,904	1,652,586
Cash and cash equivalents disposed of	(3,189,001)	(1,761,490)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(374,097)	(108,904)

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,037,659,000 (including those classified under investment properties of RMB869,941,000) (2019: RMB169,143,000, including those classified under investment properties of RMB63,025,000) and RMB1,037,659,000 (2019: RMB169,143,000), respectively.

(b) Changes in liabilities arising from financing activities:

2020

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000	Lease liabilities RMB'000
At 1 January 2020 as originally stated	96,036,136	12,754,794	–	195,609
Effect of adopting merger accounting for common control combination	535,550	–	–	–
At 1 January 2020 as restated	96,571,686	12,754,794	–	195,609
Changes from financing cash flows	(3,999,756)	2,117,986	(1,068,018)	(179,414)
Foreign exchange movement	(2,295,948)	–	–	–
New leases	–	–	–	1,037,659
Interest expense	–	–	–	40,907
2019 final dividends	–	–	589,189	–
2020 interim dividends	–	–	478,829	–
Dividends to non-controlling shareholders	–	407,459	–	–
Increase arising from acquisition of subsidiaries (note 42)	12,179,396	–	–	4,814
Decrease arising from disposal of subsidiaries (note 44)	(4,877,100)	–	–	–
At 31 December 2020	97,578,278	15,280,239	–	1,099,575

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities: (Continued)

2019

	Bank and other loans RMB'000 (Restated)	Payable to non-controlling shareholders and others RMB'000 (Restated)	Amount due to immediate holding company RMB'000 (Restated)	Lease liabilities RMB'000 (Restated)
At 1 January 2019 as originally stated	87,972,658	15,855,878	–	96,004
Effect of adopting merger accounting for common control combination	137,000	–	–	–
At 1 January 2019 as restated	88,109,658	15,855,878	–	96,004
Changes from financing cash flows	5,572,093	(4,032,700)	(954,950)	(85,824)
Foreign exchange movement	593,673	–	–	–
New leases	–	–	–	169,143
Interest expense	–	–	–	7,430
2018 final dividends	–	–	507,871	–
2019 interim dividends	–	–	447,079	–
Dividends to non-controlling shareholders	–	931,616	–	–
Increase arising from acquisition of subsidiaries (note 42)	6,680,625	–	–	8,856
Decrease arising from disposal of subsidiaries (note 44)	(4,384,363)	–	–	–
At 31 December 2019	96,571,686	12,754,794	–	195,609

(c) Total cash outflow for leases:

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Within operating activities	**32,646**	14,205
Within financing activities	**179,414**	85,824
	212,060	100,029

46. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees amounting to approximately RMB30,337,792,000 (2019: RMB22,867,719,000) in respect of mortgage facilities for certain purchasers of the Group's properties.

47. COMMITMENTS

(a) The Group had the following commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000 (Restated)
Contracted, but not provided for:		
Properties under development	**43,470,487**	35,374,827
Land under development	**5,042,970**	2,313,463
Property, plant and equipment	**290,252**	4,438
Capital contributions to joint ventures and associates	**5,555,316**	5,332,714
	54,359,025	43,025,442

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are RMB21,515,000 due within one year.

48. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Fellow subsidiaries:			
Rental income*	(i)	**243,433**	229,996
Property management fee income*	(i)	**49,186**	38,835
Interest expense*	(ii)	**258,831**	116,745
Interest income*	(iii)	**141,209**	107,596
Building decoration service income	(i)	**–**	6,894
The immediate holding company:			
Rental expense	(i)	**5,285**	5,229
Interest expense	(iv)	**168,779**	278,928
An intermediate holding company:			
Rental income*	(i)	**88,569**	84,568
Property management fee income*	(i)	**11,556**	11,698
Interest expense	(iv)	**663,373**	91,927
Building decoration service income	(i)	**–**	2,788
The ultimate holding company:			
Rental income*	(i)	**7,910**	7,910
Interest expense	(iv)	**882**	389
Joint ventures:			
Interest income	(v)	**1,777,867**	1,630,392
Interest expense	(iv)	**209,897**	67,089
Consulting fee expense	(i)	**236,305**	237,566
Rental income	(i)	**2,747**	3,793
Property management fee income	(i)	**87,096**	91,998
Building decoration service income	(i)	**401,921**	266,404
Consulting fee income	(i)	**44,431**	33,258
Associates:			
Interest income	(v)	**799,266**	747,936
Interest expense	(iv)	**139,669**	5,745
Property management fee income	(i)	**65,245**	47,921
Building decoration service income	(i)	**410,688**	245,830
Consulting fee income	(i)	**69,115**	60,538
An associate of the Group's ultimate holding company:			
Rental income	(i)	**8,161**	8,155
Property management fee income	(i)	**656**	34
The substantial shareholder:			
Interest income*	(iii)	**88,814**	30,042
Interest expense	(iv)	**18,595**	46,487

48. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest expense was charged at rates ranging from 2.70 % to 5.00% (2019: 3.21 % to 7.00%) per annum.

(iii) The interest income was determined at rates ranging from 2.18% to 3.15% (2019: 0.35% to 3.15%) per annum.

(iv) The interest expense was charged at rates ranging from 2.00% to 5.10% (2019: 1.50% to 9.00%) per annum.

(v) The interest income was determined at rates ranging from 1.93% to 13.88% (2019: 2.18% to 2.75%) per annum.

* A certain portion of these related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Short term employee benefits	**46,290**	60,912
Post-employment benefits	**2,490**	3,154
Equity-settled share option expense	**6,808**	6,162
Total compensation paid to key management personnel	**55,588**	70,228

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

(c) Transactions and balances with other state-owned entities

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

49. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020			2019			
	Financial assets at fair value through profit or loss			Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000	Designated as such upon initial recognition RMB'000 (Restated)	Mandatorily designated as such RMB'000 (Restated)	Financial assets at amortised cost RMB'000 (Restated)	Total RMB'000 (Restated)
Financial assets							
Trade receivables	–	446,776	446,776	–	–	1,445,864	1,445,864
Financial assets included in prepayments, other receivables and other assets	–	22,385,371	22,385,371	–	–	21,881,126	21,881,126
Due from related parties	–	42,559,471	42,559,471	–	–	46,522,725	46,522,725
Due from non-controlling shareholders	–	866,814	866,814	–	–	1,069,839	1,069,839
Other financial assets	647,716	–	647,716	96,351	230,000	–	326,351
Long-term time deposit	–	–	–	–	–	3,300,000	3,300,000
Restricted bank balances	–	8,622,174	8,622,174	–	–	7,510,751	7,510,751
Cash and cash equivalents	–	43,455,580	43,455,580	–	–	17,945,788	17,945,788
	647,716	118,336,186	118,983,902	96,351	230,000	99,676,093	100,002,444

	2020			2019		
	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at fair value through profit or loss – held for trading RMB'000 (Restated)	Financial liabilities at amortised cost RMB'000 (Restated)	Total RMB'000 (Restated)
Financial liabilities						
Trade and bills payables	–	21,906,848	21,906,848	–	19,086,939	19,086,939
Financial liabilities included in other payables and accruals	–	21,823,485	21,823,485	–	16,536,792	16,536,792
Derivative financial instruments	95,792	–	95,792	53,124	–	53,124
Due to related parties	–	49,189,933	49,189,933	–	31,903,445	31,903,445
Interest-bearing bank and other borrowings	–	97,578,278	97,578,278	–	96,571,686	96,571,686
Lease liabilities	–	1,099,575	1,099,575	–	195,609	195,609
Long-term payables	–	71,996	71,996	–	70,000	70,000
	95,792	191,670,115	191,765,907	53,124	164,364,471	164,417,595

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000 (Restated)	2020 RMB'000	2019 RMB'000 (Restated)
Financial assets				
Other financial assets	**647,716**	326,351	**647,716**	326,351
Financial liabilities				
Derivative financial instruments	**95,792**	53,124	**95,792**	53,124
Interest-bearing bank and other borrowings	**97,578,278**	96,571,686	**98,961,766**	97,874,652

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of long-term time deposits, interest-bearing bank and other borrowings except for notes and domestic corporate bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of notes and domestic corporate bonds are based on quoted market prices. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of unlisted equity investments designated at fair value through profit or loss included in other financial assets, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

	2020 RMB'000	2019 RMB'000
Other financial assets	**647,716**	326,351

The Group's assets were neither categorised in Level 1 nor Level 3 as at 31 December 2020 (2019: Nil).

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

As at 31 December 2020

	2020 RMB'000	2019 RMB'000
Derivative financial instruments	95,792	53,124

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

Assets for which fair values are disclosed:

The carrying amounts of the Group's financial assets were either measured at fair value in the statement of financial positions or approximate to fair values as at 31 December 2019 and 2020.

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	26,904,404	72,057,362	–	98,961,766

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Restated)	Significant observable inputs (Level 2) RMB'000 (Restated)	Significant unobservable inputs (Level 3) RMB'000 (Restated)	Total RMB'000 (Restated)
Interest-bearing bank and other borrowings	27,584,520	70,290,132	–	97,874,652

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, including forward currency contracts and interest rate swaps. The purpose is to manage foreign currency risk arising from the Group's net investment in foreign operations, and to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2020		
RMB	**25**	**(33,450)**
US$	**25**	**(13,545)**
HK$	**25**	**(15,231)**
RMB	**(25)**	**33,450**
US$	**(25)**	**13,545**
HK$	**(25)**	**15,231**
31 December 2019		
RMB	25	(47,449)
US$	25	(10,858)
HK$	25	(25,445)
RMB	(25)	47,449
US$	(25)	10,858
HK$	(25)	25,445

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and has applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currencies out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the approval from the appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require the approval from the State Administration of Foreign Exchange, this could affect the ability of the Group's subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits and interest-bearing borrowings denominated in United States dollars and Hong Kong dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group have used derivative financial instruments to reduce the exposure to foreign currency borrowings.

The Group entered into derivative financial instruments in respect of the cash flow hedges to minimise the foreign currency exposures as detailed in note 33 to the financial statements. It's the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and US$ on the Group's profits for the years ended 31 December 2020 and 2019.

Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2020 RMB'000	Increase/ (decrease) in profit for the year 2019 RMB'000
+1%	(208,719)	(164,331)
-1%	208,719	164,331

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2020 and 2019.

Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2020 RMB'000	Increase/ (decrease) in profit for the year 2019 RMB'000
+5%	3,773	979
-5%	(3,773)	(979)

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	789,328	789,328
Trade receivables*	–	–	–	468,391	468,391
Financial assets included in prepayments, other receivables and other assets					
– Normal**	22,385,371	–	–	–	22,385,371
Due from non-controlling shareholders	866,814	–	–	–	866,814
Due from related parties	37,746,335	6,124,316	–	–	43,870,651
Other financial assets	647,716	–	–	–	647,716
Restricted bank balances					
– Not yet past due	8,622,174	–	–	–	8,622,174
Cash and cash equivalents					
– Not yet past due	43,455,580	–	–	–	43,455,580
	113,723,990	6,124,316	–	1,257,719	121,106,025

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000 (Restated)	Stage 2 RMB'000 (Restated)	Stage 3 RMB'000 (Restated)	Simplified approach RMB'000 (Restated)	Total RMB'000 (Restated)
Contract assets*	–	–	–	267,009	267,009
Trade receivables*	–	–	–	1,462,059	1,462,059
Financial assets included in prepayments, other receivables and other assets					
– Normal**	21,881,126	–	–	–	21,881,126
Due from non-controlling shareholders	1,069,839	–	–	–	1,069,839
Due from related parties	46,522,725	–	–	–	46,522,725
Other financial assets	326,351	–	–	–	326,351
Long-term time deposit					
– Not yet past due	3,300,000	–	–	–	3,300,000
Restricted bank balances					
– Not yet past due	7,510,751	–	–	–	7,510,751
Cash and cash equivalents					
– Not yet past due	17,945,788	–	–	–	17,945,788
	98,556,580	–	–	1,729,068	100,285,648

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 26 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and contract assets are disclosed in notes 24 and 26 to the financial statements.

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	29,806,622	25,879,513	31,552,240	15,904,747	103,143,122
Lease liabilities	187,146	147,070	324,450	881,494	1,540,160
Trade and bills payables	21,906,848	–	–	–	21,906,848
Other payables	21,823,484	–	–	–	21,823,484
Derivative financial instruments	10,403	–	85,389	–	95,792
Due to related parties	38,135,983	9,918,013	1,135,937	–	49,189,933
Long-term payables	22,549	19,211	36,422	2,000	80,182
	111,893,035	35,963,807	33,134,438	16,788,241	197,779,521

	2019				
	Within 1 year or on demand RMB'000 (Restated)	More than 1 year but less than 2 years RMB'000 (Restated)	More than 2 years but less than 5 years RMB'000 (Restated)	More than 5 years RMB'000 (Restated)	Total RMB'000 (Restated)
Interest-bearing bank and other borrowings	31,835,468	21,090,233	38,204,185	14,855,638	105,985,524
Lease liabilities	91,418	54,688	43,431	70,876	260,413
Trade and bills payables	19,086,939	–	–	–	19,086,939
Other payables	16,536,792	–	–	–	16,536,792
Derivative financial instruments	18,133	8,349	26,642	–	53,124
Due to related parties	31,903,445	–	–	–	31,903,445
Long-term payables	11,305	17,211	51,633	–	80,149
	99,483,500	21,170,481	38,325,891	14,926,514	173,906,386

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital on the basis of the net debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents, restricted bank balances and certain financial assets at fair value through profit or loss. Adjusted capital comprises all components of equity (including non-controlling interests) and the Company's amounts due to the immediate holding company. The Group aims to maintain the net debt-to-adjusted-capital ratio at a reasonable level. The net debt-to-adjusted-capital ratios as at the end of the reporting periods were as follows:

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Interest-bearing bank and other borrowings	34	**97,578,278**	96,571,686
Less: Cash and cash equivalents, restricted bank balances and certain other financial assets		**(52,578,801)**	(25,457,616)
Net debt		**44,999,477**	71,114,070
Total equity		**101,827,082**	92,434,354
Add: the Company's amounts due to the immediate holding company		**8,828,531**	10,065,072
Adjusted capital		**110,655,613**	102,499,426
Net debt-to-adjusted-capital ratio		**40.7%**	69.4%

52. EVENT AFTER THE REPORTING PERIOD

On 8 February 2021, Franshion Brilliant Limited, a wholly owned subsidiary of the Company, completed an issue of subordinate guaranteed perpetual capital securities in the aggregate principal amount of US$500,000,000 (equivalent to RMB3,233,900,000). The securities confer a right to receive distribution at 6.00% per annum payable semi-annually in arrears beginning on 8 August 2021. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities.

53. COMPARATIVE AMOUNTS

As further explained in notes 2.1 and 43 to the financial statements, due to the business combination under common control during the year, the comparative amounts in the consolidated financial statements have been restated.

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	103	112
Right-of-use assets	–	212
Investments in subsidiaries	38,410,585	24,199,756
Total non-current assets	38,410,688	24,200,080
CURRENT ASSETS		
Due from subsidiaries	51,068,672	63,569,478
Prepayments, other receivables and other assets	598,931	851,866
Due from related parties	1,350	1,392
Cash and cash equivalents	2,669,304	1,654,390
Total current assets	54,338,257	66,077,126
CURRENT LIABILITIES		
Other payables and accruals	360,357	352,861
Due to related parties	12,743,427	11,481,289
Interest-bearing bank and other borrowings	12,925,194	9,701,731
Lease liabilities	–	180
Total current liabilities	26,028,978	21,536,061
NET CURRENT ASSETS	28,309,279	44,541,065
TOTAL ASSETS LESS CURRENT LIABILITIES	66,719,967	68,741,145
NON-CURRENT LIABILITIES		
Due to subsidiaries	30,873,361	33,461,753
Interest-bearing bank and other borrowings	8,556,430	11,948,399
Other financial liabilities	64,319	34,991
Total non-current liabilities	39,494,110	45,445,143
Net assets	27,225,857	23,296,002
EQUITY		
Share capital	26,132,248	21,250,860
Reserves (note)	1,093,609	2,045,142
Total equity	27,225,857	23,296,002

Li Congrui
Director

Jiang Nan
Director

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	(147,008)	(32,794)	51,687	1,428,112	1,299,997
Final 2018 dividend declared	–	–	–	(1,018,798)	(1,018,798)
2019 interim dividend declared	–	–	–	(1,273,730)	(1,273,730)
Total comprehensive income for the year	547,355	(2,197)	–	2,428,728	2,973,886
Equity-settled share option arrangements	–	–	84,016	–	84,016
Exercise of share options	–	–	(20,229)	–	(20,229)
Transfer of share option reserve upon the forfeiture of share options	–	–	(2,545)	2,545	–
At 31 December 2019 and 1 January 2020	400,347	(34,991)	112,929	1,566,857	2,045,142
Final 2019 dividend declared	–	–	–	(1,181,924)	(1,181,924)
2020 interim dividend declared	–	–	–	(1,364,184)	(1,364,184)
Total comprehensive income for the year	(1,683,559)	(29,328)	–	3,225,821	1,512,934
Equity-settled share option arrangements	–	–	87,786	–	87,786
Exercise of share options	–	–	(6,145)	–	(6,145)
Transfer of share option reserve upon the forfeiture of share options	–	–	(7,603)	7,603	–
At 31 December 2020	(1,283,212)	(64,319)	186,967	2,254,173	1,093,609

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2021.

Independent Auditor's Report

EY 安永

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of China Jinmao Holdings Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Jinmao Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 162 to 287, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
The Group adopted the fair value model for its investment properties in accordance with HKAS 40 *Investment Property*. Changes in fair values were recorded in profit or loss. The valuations on the investment properties of the Group as at 31 December 2019 were determined by management or independent appraisers engaged by management. Different valuation techniques were applied to these investment properties. As both the year-end balance of RMB31,260,683,000 and the changes in fair value of RMB454,695,000 were significant, and the valuation involved management judgement and estimates based on a projection of future rental income, growth rate, vacancy rate, discount rate and reversionary yield, we considered the revaluation of investment properties a key audit matter of our audit. Relevant disclosures are included in notes 3 and 17 to the consolidated financial statements.	We considered the competence, capabilities and objectivity of the external appraisers. We involved our real estate valuation specialists to assist us in evaluating the valuation techniques and assessing the underlying assumptions for selected samples. We compared market rental assumptions against actual rents of existing lease contracts and external market rents, expected vacancy rate against historical data maintained by the Group, and the discount rate, the growth rate and reversionary yield against those of peers with similar nature and area of properties. We also assessed the adequacy of the disclosures of investment properties, including valuation sensitivity and the fair value hierarchy.
Impairment of trade receivables	
As at 31 December 2019, the balance of trade receivables of the Group was RMB1,445,864,000, arising from its land development revenue, the sale of properties, leasing activities, the provision of hotel and property management services. The Group recognises an impairment provision based on the expected credit loss ("ECL") approach under HKFRS 9 *Financial Instruments*. The measurement of ECL requires the application of significant judgement and estimate, such as the expected future cash flows and forward-looking factors specific to the debtors and the economic environment. Relevant disclosures are included in notes 3 and 23 to the consolidated financial statements.	Our audit procedures included the assessment of the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses. We also assessed the reasonableness of management's expected credit loss allowance by examining the information used by management to form such judgement and estimate, including checking the accuracy of the historical default information, and evaluating whether the historical loss rates were appropriately adjusted based on current economic conditions and forward-looking information. We also evaluated the reasonableness of the Group's provision for trade receivables by reference to the Group's subsequent collection of the trade receivables.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**43,355,941**	38,732,667
Cost of sales		**(30,591,198)**	(24,194,452)
Gross profit		**12,764,743**	14,538,215
Other income and gains	5	**6,112,103**	2,722,393
Selling and marketing expenses		**(1,314,262)**	(1,051,610)
Administrative expenses		**(3,052,246)**	(2,417,509)
Other expenses and losses, net		**(6,916)**	(36,146)
Finance costs	7	**(2,269,058)**	(2,420,573)
Share of profits and losses of:			
Joint ventures		**722,390**	369,183
Associates		**(132,653)**	10,749
PROFIT BEFORE TAX	6	**12,824,101**	11,714,702
Income tax expense	10	**(4,194,983)**	(4,337,978)
PROFIT FOR THE YEAR		**8,629,118**	7,376,724
Attributable to:			
Owners of the parent		**6,452,210**	5,210,888
Non-controlling interests		**2,176,908**	2,165,836
		8,629,118	7,376,724
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	**RMB cents**	RMB cents
Basic		**55.38**	45.28
Diluted		**55.13**	45.06

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR		**8,629,118**	7,376,724
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(967,072)**	(1,501,727)
Net gain on net investment hedges		**–**	3,083
Net gain/(loss) on cash flow hedges		**81,517**	(44,189)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax		**(885,555)**	(1,542,833)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation	13	**69,327**	17,295
Income tax effect	35	**(17,332)**	(4,324)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**51,995**	12,971
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(833,560)**	(1,529,862)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,795,558**	5,846,862
Attributable to:			
Owners of the parent		**5,686,345**	3,801,527
Non-controlling interests		**2,109,213**	2,045,335
		7,795,558	5,846,862

Consolidated Statement of Financial Position

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**10,910,924**	10,729,103
Properties under development	14	**64,845,385**	50,127,258
Land under development	15	**10,705,213**	9,571,548
Investment properties	17	**31,260,683**	29,205,862
Right-of-use assets	18(b)	**1,614,306**	–
Prepaid land lease payments	18(a)	**–**	1,458,246
Intangible assets	19	**50,023**	44,815
Investments in joint ventures	20	**11,511,385**	7,346,601
Investments in associates	21	**7,597,657**	6,698,667
Deferred tax assets	35	**2,708,346**	1,897,894
Due from non-controlling shareholders	29	**1,069,839**	3,625,331
Due from related parties	26	**8,257,752**	1,967,350
Other receivables and other assets	24	**359,599**	300,000
Long-term time deposit	28	**3,300,000**	–
Other financial assets	27	**325,274**	1,239,281
Total non-current assets		**154,516,386**	124,211,956
CURRENT ASSETS			
Properties under development	14	**61,278,865**	48,471,834
Properties held for sale	16	**11,783,581**	8,991,061
Land under development	15	**1,990,602**	3,099,645
Inventories	22	**174,174**	120,197
Trade receivables	23	**1,445,864**	789,588
Contract assets	25	**267,009**	154,500
Prepayments, other receivables and other assets	24	**30,203,006**	20,020,799
Due from related parties	26	**35,756,220**	37,007,227
Prepaid tax		**4,050,432**	2,986,611
Other financial assets	27	**1,077**	2,199
Derivative financial instruments	32	**–**	847
Restricted bank balances	28	**7,486,609**	4,457,579
Cash and cash equivalents	28	**17,194,702**	21,324,200
Total current assets		**171,632,141**	147,426,287
CURRENT LIABILITIES			
Trade and bills payables	30	**18,995,534**	11,692,844
Other payables and accruals	31	**82,490,230**	68,158,124
Interest-bearing bank and other borrowings	33	**26,662,885**	21,976,235
Lease liabilities	18(c)	**75,244**	–
Due to related parties	26	**30,675,182**	15,885,404
Tax payable		**2,574,720**	1,697,365
Derivative financial instruments	32	**18,133**	–
Provision for land appreciation tax	34	**3,290,135**	2,680,888
Total current liabilities		**164,782,063**	122,090,860
NET CURRENT ASSETS		**6,850,078**	25,335,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**161,366,464**	149,547,383

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**69,373,251**	65,996,423
Long-term payables		**70,000**	–
Lease liabilities	18(c)	**120,365**	–
Derivative financial instruments	32	**34,991**	44,769
Deferred tax liabilities	35	**5,909,676**	5,240,924
Total non-current liabilities		**75,508,283**	71,282,116
Net assets		**85,858,181**	78,265,267
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	**21,250,860**	20,416,452
Other reserves		**18,121,327**	15,379,784
		39,372,187	35,796,236
Non-controlling interests		**46,485,994**	42,469,031
Total equity		**85,858,181**	78,265,267

Li Congrui	**Jiang Nan**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Notes	Attributable to owners of the parent										
		Share capital RMB'000 (note 37)	Capital reserve RMB'000 (note 39)	Asset revaluation reserve RMB'000 (note 39)	PRC statutory surplus reserve RMB'000 (note 39)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000 (note 39)	Share option reserve RMB'000 (note 39)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018		17,702,376	(1,995,790)	121,556	2,929,521	(781,425)	(79,713)	35,320	14,977,257	32,909,102	33,623,240	66,532,342
Profit for the year		–	–	–	–	–	–	–	5,210,888	5,210,888	2,165,836	7,376,724
Other comprehensive (loss)/income for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	(1,381,226)	–	–	–	(1,381,226)	(120,501)	(1,501,727)
Net gain on hedges of net investments		–	–	–	–	–	3,083	–	–	3,083	–	3,083
Net loss on cash flow hedges		–	–	–	–	–	(44,189)	–	–	(44,189)	–	(44,189)
Net gains on property revaluation		–	–	12,971	–	–	–	–	–	12,971	–	12,971
Total comprehensive income for the year		–	–	12,971	–	(1,381,226)	(41,106)	–	5,210,888	3,801,527	2,045,335	5,846,862
Repurchase of shares		–	–	–	–	–	–	–	(88,011)	(88,011)	–	(88,011)
Issue of new shares		2,701,809	–	–	–	–	–	–	–	2,701,809	–	2,701,809
Issue of perpetual securities	36	–	–	–	–	–	–	–	–	–	4,047,516	4,047,516
Perpetual securities' distributions		–	–	–	–	–	–	–	–	–	(803,081)	(803,081)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	1,419,382	1,419,382
Final 2017 dividend declared		–	–	–	–	–	–	–	(1,700,592)	(1,700,592)	–	(1,700,592)
2018 interim dividend declared	11	–	–	–	–	–	–	–	(1,201,481)	(1,201,481)	–	(1,201,481)
Acquisition of non-controlling interests		–	(693,337)	–	–	–	–	–	–	(693,337)	(3,187,074)	(3,880,411)
Capital contribution from non-controlling shareholders		–	35,221	–	–	–	–	–	–	35,221	6,264,982	6,300,203
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(941,269)	(941,269)
Equity-settled share option arrangements	38	–	–	–	–	–	–	21,911	–	21,911	–	21,911
Exercise of share options		12,267	–	–	–	–	–	(2,180)	–	10,087	–	10,087
Transfer of share option reserve upon the forfeiture of share options		–	–	–	–	–	–	(3,364)	3,364	–	–	–
Transfer from retained profits		–	–	–	589,531	–	–	–	(589,531)	–	–	–
At 31 December 2018		20,416,452	(2,653,906)	134,527	3,519,052	(2,162,651)	(120,819)	51,687	16,611,894	35,796,236	42,469,031	78,265,267

	Notes	Attributable to owners of the parent Share capital RMB'000 (note 37)	Capital reserve RMB'000 (note 39)	Asset revaluation reserve RMB'000 (note 39)	PRC statutory surplus reserve RMB'000 (note 39)	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000 (note 39)	Share option reserve RMB'000 (note 39)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019		20,416,452	(2,653,906)	134,527	3,519,052	(2,162,651)	(120,819)	51,687	16,611,894	35,796,236	42,469,031	78,265,267
Profit for the year		-	-	-	-	-	-	-	6,452,210	6,452,210	2,176,908	8,629,118
Other comprehensive (loss)/income for the year:												
Exchange differences on translation of foreign operations		-	-	-	-	(899,377)	-	-	-	(899,377)	(67,695)	(967,072)
Net gain on cash flow hedges		-	-	-	-	-	81,517	-	-	81,517	-	81,517
Net gains on property revaluation		-	-	51,995	-	-	-	-	-	51,995	-	51,995
Total comprehensive income for the year		-	-	51,995	-	(899,377)	81,517	-	6,452,210	5,686,345	2,109,213	7,795,558
Issue of new shares	37	724,385	-	-	-	-	-	-	-	724,385	-	724,385
Issue of perpetual securities	36	-	-	-	-	-	-	-	-	-	2,809,980	2,809,980
Redemption of perpetual securities	36	-	-	-	-	-	-	-	-	-	(2,000,000)	(2,000,000)
Perpetual securities' distributions		-	-	-	-	-	-	-	-	-	(1,002,256)	(1,002,256)
Acquisition of subsidiaries	41	-	-	-	-	-	-	-	-	-	793,305	793,305
Disposal of subsidiaries	42	-	-	-	-	-	-	-	-	-	(799,612)	(799,612)
De-registration of a subsidiary		-	-	-	-	-	-	-	-	-	(23,266)	(23,266)
Final 2018 dividend declared	11	-	-	-	-	-	-	-	(1,018,798)	(1,018,798)	-	(1,018,798)
2019 interim dividend declared	11	-	-	-	-	-	-	-	(1,273,730)	(1,273,730)	-	(1,273,730)
Acquisition of non-controlling interests		-	(728,574)	-	-	-	-	-	-	(728,574)	(3,319,940)	(4,048,514)
Capital contribution from non-controlling shareholders		-	12,513	-	-	-	-	-	-	12,513	6,381,155	6,393,668
Dividends declared to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(931,616)	(931,616)
Equity-settled share option arrangements	38	-	-	-	-	-	-	84,016	-	84,016	-	84,016
Exercise of share options	37	110,023	-	-	-	-	-	(20,229)	-	89,794	-	89,794
Transfer of share option reserve upon the forfeiture of share options		-	-	-	-	-	-	(2,545)	2,545	-	-	-
Transfer from retained profits		-	-	-	832,176	-	-	-	(832,176)	-	-	-
At 31 December 2019		21,250,860	(3,369,967)*	186,522*	4,351,228*	(3,062,028)*	(39,302)*	112,929*	19,941,945*	39,372,187	46,485,994	85,858,181

* These reserve accounts comprise the consolidated other reserves of RMB18,121,327,000 (2018: RMB15,379,784,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**12,824,101**	11,714,702
Adjustments for:			
Finance costs	7	**2,269,058**	2,420,573
Share of profits and losses of joint ventures and associates		**(589,737)**	(379,932)
Interest income	5	**(2,518,331)**	(1,626,025)
Other investment income	5	**(207,017)**	(130,135)
Loss on disposal of items of property, plant and equipment	6	**49**	1,213
Provision of impairment of trade receivables	6,23	**6,542**	3,701
Impairment of other receivables	6	**–**	1,322
Impairment of intangible assets	6,19	**–**	36
Fair value gains on investment properties	5,17	**(454,695)**	(189,380)
Fair value gains on transfers from properties held for sale to investment properties	5	**(356,045)**	(43,977)
Depreciation	6,13	**408,903**	369,426
Depreciation of right-of-use assets/recognition of prepaid land lease payments	6,18	**139,829**	54,270
Amortisation of intangible assets	6,19	**13,407**	10,755
Net gain on cash flow hedges	6	**(1,441)**	(955)
Net loss on net investment hedges	6	**–**	25,489
Gain on disposal of subsidiaries	5,42	**(1,018,026)**	(72,240)
Fair value gains on the equity interest previously held as investments in joint ventures or associates	5,41	**(346,240)**	(101,775)
Gain on bargain purchase	5,41	**(401,970)**	(74,992)
Equity-settled share option expense	6,38	**84,016**	21,911
		9,852,403	12,003,987
Increase in properties under development		**(42,049,365)**	(42,451,606)
Decrease in properties held for sale		**27,897,492**	17,306,989
Decrease in land under development		**214,031**	3,593,627
Increase in inventories		**(53,977)**	(42,360)
(Increase)/decrease in trade receivables		**(662,818)**	157,144
Increase in contract assets		**(112,509)**	(154,500)
(Increase)/decrease in prepayments, other receivables and other assets		**(7,802,689)**	3,654,996
Decrease/(increase) in amounts due from related parties		**6,005,321**	(5,087,003)
Increase in trade and bills payables		**7,462,607**	2,639,920
Increase in other payables and accruals		**6,705,242**	7,098,918
Increase in amounts due to related parties		**14,789,778**	8,727,578
Effect of exchange rate changes, net		**(288,278)**	(8,485)
Cash generated from operations		**21,957,238**	7,439,205
Interest received		**2,166,326**	845,734
PRC corporate income tax paid		**(2,278,165)**	(3,623,767)
Land appreciation tax paid		**(1,746,209)**	(2,649,312)
Net cash flows from operating activities		**20,099,190**	2,011,860

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		**207,017**	130,135
Purchases of items of property, plant and equipment		**(391,164)**	(423,008)
Proceeds from disposal of items of property, plant and equipment		**32,818**	6,362
Proceeds from disposal of intangible assets		**671**	10
Additions to investment properties	17	**(690,726)**	(1,134,558)
Additions to prepaid land lease payments		**–**	(8,315)
Additions to intangible assets	19	**(18,743)**	(24,522)
Decrease in other financial assets		**915,129**	4,986,240
Disposal of subsidiaries	42	**(108,904)**	(2,186,191)
Acquisition of subsidiaries	41	**208,546**	(26,095)
Dividends received from a joint venture		**820,000**	–
Investments in joint ventures		**(3,881,786)**	(4,894,897)
Investments in associates		**(1,593,775)**	(2,758,784)
Disposal of investment in an associate		**530,153**	–
Increase in loans to joint ventures and associates		**(7,911,294)**	(8,343,348)
(Increase)/decrease in loans to non-controlling shareholders		**(952,962)**	1,336,097
Increase in entrustment loans to a substantial shareholder		**(1,435,928)**	–
Decrease in entrustment loans to third parties		**1,389,728**	1,211,722
Advance of investment to third parties		**(440,591)**	(6,672,675)
Increase in long-term time deposits		**(3,300,000)**	–
Increase in restricted bank deposits		**(3,023,325)**	(765,236)
Settlement of derivative financial instruments – hedges of a net investment		**–**	(21,592)
Net cash flows used in investing activities		**(19,645,136)**	(19,588,655)

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares, net of issue expenses		**724,385**	2,701,809
Issue of perpetual securities, net of issue expenses		**2,809,980**	4,047,516
Repurchase of shares		**–**	(88,011)
New bank and other borrowings		**66,654,898**	72,153,832
Repayment of bank and other borrowings		**(61,481,355)**	(54,591,241)
Increase in long-term payables		**70,000**	–
Interest paid		**(6,397,572)**	(4,733,335)
Advance of investment from third parties		**4,100,367**	1,659,463
Principal portion of lease payments		**(78,394)**	–
Dividends paid		**(2,292,528)**	(2,902,073)
Dividends paid to non-controlling shareholders		**(966,350)**	(776,675)
Loans from non-controlling shareholders		**560,102**	1,605,025
Repayment of loans from non-controlling shareholders		**(7,726,819)**	(1,266,892)
Acquisition of non-controlling interests		**(4,048,514)**	(3,880,411)
Capital contribution from non-controlling shareholders		**6,393,668**	6,300,203
Proceeds from exercise of share options		**89,794**	10,087
Perpetual securities' distribution paid		**(1,002,256)**	(803,081)
Redemption of perpetual securities		**(2,000,000)**	–
Net cash flows (used in)/from financing activities		**(4,590,594)**	19,436,216
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,136,540)**	1,859,421
Cash and cash equivalents at beginning of year		**21,324,200**	19,406,553
Effect of foreign exchange rate changes, net		**7,042**	58,226
CASH AND CASH EQUIVALENTS AT END OF YEAR		**17,194,702**	21,324,200
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**17,056,997**	21,175,637
Non-pledged time deposits with original maturity of within three months when acquired		**109,105**	105,336
Non-pledged time deposits with original maturity of over three months when acquired with an option to withdraw upon demand similar to demand deposits		**28,600**	43,227
Cash and cash equivalents as stated in the statement of financial position	28	**17,194,702**	21,324,200

1. CORPORATE AND GROUP INFORMATION

China Jinmao Holdings Group Limited (formerly known as Franshion Properties (China) Limited) (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- city operations and property development
- commercial leasing and retail operations
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group Co., Ltd., a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai International Shipping Service Center Co., Ltd.*	The PRC/Mainland China	RMB3,150,000,000	50%	50%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/Mainland China	US$635,000,000	100%	–	Property development
Chongqing Xingqian Properties Development Co., Ltd.*	The PRC/Mainland China	RMB2,884,540,000	–	73%@	Property development
Jinmao Hangzhou Property Development Co., Ltd. ("Jinmao Hangzhou")*	The PRC/Mainland China	RMB3,200,000,000	–	100%	Property development
Nanjing Xingtuo Investment Co., Ltd.**	The PRC/Mainland China	RMB2,400,000,000	–	80%	Land development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Chemsunny Property Co., Ltd.***	The PRC/Mainland China	US$102,400,000	50%	50%	Property investment
Jinmao (China) Hotel Investments and Management Limited ("JCHIML")^	Cayman Islands/Hong Kong	HK$2,000,000	66.77%	–	Investment holding
Wangfujing Hotel Management Co., Ltd.***	The PRC/Mainland China	US$73,345,000	–	66.77%	Hotel operation
China Jin Mao Group Co., Ltd.***	The PRC/Mainland China	RMB2,635,000,000	–	66.77%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd.**	The PRC/Mainland China	RMB1,600,000,000	–	66.77%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd.**	The PRC/Mainland China	RMB300,000,000	–	66.77%	Hotel operation
Jin Mao Sanya Tourism Co., Ltd.**	The PRC/Mainland China	RMB500,000,000	–	66.77%	Hotel operation
Jin Mao Shenzhen Hotel Investment Co., Ltd.**	The PRC/Mainland China	RMB700,000,000	–	66.77%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/Mainland China	RMB100,000,000	–	66.77%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited***	The PRC/Mainland China	US$600,000,000	–	100%	Property development
Jin Mao Investment (Changsha) Co., Ltd.**	The PRC/Mainland China	RMB3,750,000,000	–	80%	Land development
Franshion Brilliant Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Franshion Properties (Suzhou) Limited***	The PRC/Mainland China	US$395,000,000	–	100%	Property development
Guangzhou Xingtuo Properties Limited*	The PRC/Mainland China	RMB260,000,000	–	90%	Property development
Changsha Jinmao City Construction Limited**	The PRC/Mainland China	RMB2,962,500,000	–	100%	Land development
Shanghai Jin Mao Economic Development Company Ltd.**	The PRC/Mainland China	RMB30,000,000	–	100%	Property development
Jinmao Assets Management Limited Partnership	Cayman Islands/Hong Kong	RMB11,811,608,710	95%	5%	Property investment
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao")**	The PRC/Mainland China	RMB4,500,000,000	–	26.5%$	Property development
Ningbo Xingmao Property Development Co., Ltd.***	The PRC/Mainland China	US$200,000,000	–	100%	Property development
Shanghai Franshion Development Co., Ltd.**	The PRC/Mainland China	RMB7,000,000,000	–	90%	Property development
Nanjing Runmao Property Development Co., Ltd. ("Nanjing Runmao")**	The PRC/Mainland China	RMB3,000,000,000	–	27.5%#	Property development
Beijing Franshion Tuoying Property Development Co., Ltd.**	The PRC/Mainland China	RMB10,000,000	–	100%	Property development
Foshan Maoxing Property Development Co., Ltd.**	The PRC/Mainland China	RMB820,000,000	–	65%	Property development
Beijing Jinfeng Property Development Co., Ltd.**	The PRC/Mainland China	RMB11,112,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

* Registered as Sino-foreign joint ventures under PRC law.
** Registered as limited liability companies under PRC law.
*** Registered as wholly-foreign-owned entities under PRC law.
^ Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel and are listed on the Main Board of the Stock Exchange of Hong Kong Limited. JCHIML and its subsidiaries are collectively referred to as the JCHIML Group.
@ This entity is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.
\# The Group is entitled to 57.5% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.
$ The Group is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities.

The English names of certain of the above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and other financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts mainly for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impact on transition **(Continued)**

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/ terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	**1,618,962**
Decrease in prepaid land lease payments	**(1,458,246)**
Decrease in prepayments, other receivables and other assets	**(64,712)**
Increase in deferred tax assets	**24,001**
Increase in total assets	**120,005**
Liabilities	
Increase in lease liabilities	**96,004**
Increase in deferred tax liabilities	**24,001**
Increase in total liabilities	**120,005**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	101,073
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	98,391
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(2,387)
Lease liabilities as at 1 January 2019	96,004

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group’s financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint operations (Continued)

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and certain financial assets at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, land under development, properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 9.5%
Leasehold improvements	18% – 20%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation with surplus credited to the asset revaluation reserve and deficit charged to the statement of profit or loss. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 70 years
Office properties and staff quarters	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties held for sale". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee **(Continued)**

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

***Group as a lessor* (Continued)**

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host: a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative: and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

***General approach* (Continued)**

Stage 1 - Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 - Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 - Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, interest-bearing bank and other borrowings, lease liabilities, long-term payables, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement **(Continued)**

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

***Current versus non-current classification* (Continued)**

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of completed properties*

Revenue from the sale of completed properties is recognised at the point in time when control of the asset is transferred to the customer, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has obtained the right to payment and the collection of the consideration is probable;

(b) *Land development*

Revenue from land development is recognised at the point in time when control of the asset is transferred to the customers, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers **(Continued)**

(c) *Hotel operations*

Hotel and other service income is recognised in the period in which such services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group;

(d) *Property management services*

Revenue from the rendering of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group;

(e) *Design and decoration services*

Revenue from the provision of design and decoration services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the design and decoration services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract costs

Other than the costs which are capitalised as properties under development, land under development, inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 38 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate of 4.75% has been applied to the expenditure on the group level.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, while the Company's functional currency is HK$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and subsidiaries operating outside Mainland China are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rate ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arises throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

***Provision for expected credit losses on trade receivables and contract assets* (Continued)**

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 23 and note 25 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2019 was RMB31,260,683,000 (2018: RMB29,205,862,000). Further details, including the key assumptions used for the fair value measurement, are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Measurement of properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. The carrying amount of properties under development at 31 December 2019 was RMB126,124,250,000 (2018: RMB98,599,092,000). Further details are given in note 14 to the financial statements.

Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Costs of land under development during the construction stage, before the final settlement of the development costs and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2019 was RMB12,695,815,000 (2018: RMB12,671,193,000). Further details are given in note 15 to the financial statements.

Estimation of net realisable value for properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amounts of properties held for sale at 31 December 2019 were RMB11,783,581,000 (2018: RMB8,991,061,000). Further details are given in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was RMB710,968,000 (2018: RMB360,907,000). The amount of unrecognised tax losses at 31 December 2019 was RMB3,091,488,000 (2018: RMB3,414,677,000). Further details are contained in note 35 to the financial statements.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2019 was RMB2,574,720,000 (2018: RMB1,697,365,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2019 was RMB3,290,135,000 (2018: RMB2,680,888,000). Further details are given in note 34 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the city operations and property development segment develops city complexes and properties and develops land;

(b) the commercial leasing and retail operations segment leases office and retail commercial premises;

(c) the hotel operations segment provides hotel accommodation services, food and beverage; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, and the operation of an observation deck.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income, non-lease-related finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude derivative financial instruments, deferred tax assets, prepaid tax, restricted bank balances, cash and cash equivalents, certain financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

The Group's operations are mainly conducted in Mainland China. Management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019	City operations and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue: (Note 5)					
Sales to external customers	37,721,403	1,446,776	1,967,118	2,220,644	43,355,941
Intersegment sales	152,628	88,848	–	801,947	1,043,423
	37,874,031	1,535,624	1,967,118	3,022,591	44,399,364
Reconciliation:					
Elimination of intersegment sales					(1,043,423)
Total revenue					43,355,941
Segment results	11,196,591	1,371,902	228,749	279,108	13,076,350
Reconciliation:					
Elimination of intersegment results					(523,763)
Interest income					2,518,331
Other investment income					207,017
Corporate and other unallocated expenses					(192,206)
Finance costs (other than interest on lease liabilities)					(2,261,628)
Profit before tax					12,824,101
Segment assets	312,652,705	47,245,064	12,759,946	5,775,204	378,432,919
Reconciliation:					
Elimination of intersegment assets					(148,060,146)
Corporate and other unallocated assets					95,775,754
Total assets					326,148,527
Segment liabilities	210,438,527	18,101,539	7,139,122	4,356,898	240,036,086
Reconciliation:					
Elimination of intersegment liabilities					(140,927,546)
Corporate and other unallocated liabilities					141,181,806
Total liabilities					240,290,346
Other segment information:					
Share of profits of joint ventures	721,561	–	–	829	722,390
Share of profits of associates	(132,653)	–	–	–	(132,653)
Depreciation and amortisation	109,163	40,881	372,878	39,217	562,139
Loss/(gain) on disposal of items of property, plant and equipment	173	(6,267)	6,053	90	49
Impairment losses recognised in the statement of profit or loss, net	–	3,222	252	3,068	6,542
Fair value gains on investment properties	–	454,695	–	–	454,695
Fair value gains on transfer from properties held for sale to investment properties	–	356,045	–	–	356,045
Investments in associates	11,480,429	–	–	30,956	11,511,385
Investments in joint ventures	7,597,657	–	–	–	7,597,657
Capital expenditure*	212,967	706,185	198,436	135,145	1,252,733

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, and investment properties including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018	City operations and property development RMB'000	Commercial leasing and retail operations RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue: (Note 5)					
Sales to external customers	33,734,165	1,449,822	2,047,913	1,500,767	38,732,667
Intersegment sales	105,379	15,350	–	602,142	722,871
	33,839,544	1,465,172	2,047,913	2,102,909	39,455,538
Reconciliation:					
Elimination of intersegment sales					(722,871)
Total revenue					38,732,667
Segment results	11,356,837	940,796	228,898	121,621	12,648,152
Reconciliation:					
Elimination of intersegment results					(395,838)
Interest income					1,626,025
Other investment income					130,135
Corporate and other unallocated expenses					126,801
Finance costs					(2,420,573)
Profit before tax					11,714,702
Segment assets	214,973,870	35,145,641	12,802,867	2,665,327	265,587,705
Reconciliation:					
Elimination of intersegment assets					(105,150,339)
Corporate and other unallocated assets					111,200,877
Total assets					271,638,243
Segment liabilities	133,020,296	5,886,094	7,113,694	1,385,329	147,405,413
Reconciliation:					
Elimination of intersegment liabilities					(97,360,213)
Corporate and other unallocated liabilities					143,327,776
Total liabilities					193,372,976
Other segment information:					
Share of profits of joint ventures	366,757	–	–	2,426	369,183
Share of profits of associates	10,749	–	–	–	10,749
Depreciation and amortisation	28,387	35,874	299,233	16,687	380,181
Recognition of prepaid land lease payments	–	–	54,112	158	54,270
(Gain)/loss on disposal of items of property, plant and equipment	(91)	426	799	79	1,213
Impairment losses recognised in the statement of profit or loss	36	(373)	641	4,755	5,059
Fair value gains on investment properties	–	189,380	–	–	189,380
Fair value gains on transfer from properties held for sale to investment properties	–	43,977	–	–	43,977
Investments in associates	6,698,667	–	–	–	6,698,667
Investments in joint ventures	7,313,800	–	–	32,801	7,346,601
Capital expenditure	213,038	1,170,810	115,096	12,714	1,511,658

Information about major customers

During the year, there was no revenue from a single customer which accounted for 10% or more of the Group's revenue (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**41,909,165**	37,282,845
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**6,959**	N/A
Other lease payments, including fixed payments	**1,439,817**	N/A
	1,446,776	1,449,822
	43,355,941	38,732,667

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	City operations and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Type of goods or services				
Sale of completed properties	**33,430,413**	**–**	**–**	**33,430,413**
Land development	**4,290,990**	**–**	**–**	**4,290,990**
Hotel operations	**–**	**1,967,118**	**–**	**1,967,118**
Others	**–**	**–**	**2,220,644**	**2,220,644**
Total revenue from contracts with customers	**37,721,403**	**1,967,118**	**2,220,644**	**41,909,165**
Timing of revenue recognition				
Goods transferred at a point of time	**37,721,403**	**–**	**–**	**37,721,403**
Services transferred over time	**–**	**1,967,118**	**2,220,644**	**4,187,762**
Total revenue from contracts with customers	**37,721,403**	**1,967,118**	**2,220,644**	**41,909,165**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) ***Disaggregated revenue information*** **(Continued)**

For the year ended 31 December 2018

Segments	City operations and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Type of goods or services				
Sale of completed properties	25,592,335	–	–	25,592,335
Land development	8,141,830	–	–	8,141,830
Hotel operations	–	2,047,913	–	2,047,913
Others	–	–	1,500,767	1,500,767
Total revenue from contracts with customers	33,734,165	2,047,913	1,500,767	37,282,845
Timing of revenue recognition				
Goods transferred at a point of time	33,734,165	–	–	33,734,165
Services transferred over time	–	2,047,913	1,500,767	3,548,680
Total revenue from contracts with customers	33,734,165	2,047,913	1,500,767	37,282,845

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	City operations and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	37,721,403	1,967,118	2,220,644	41,909,165
Intersegment sales	152,628	–	801,947	954,575
	37,874,031	1,967,118	3,022,591	42,863,740
Intersegment adjustments and eliminations	(152,628)	–	(801,947)	(954,575)
Total revenue from contracts with customers	37,721,403	1,967,118	2,220,644	41,909,165

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) ***Disaggregated revenue information*** **(Continued)**

For the year ended 31 December 2018

Segments	City operations and property development RMB'000	Hotel operations RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers:				
Sales to external customers	33,734,165	2,047,913	1,500,767	37,282,845
Intersegment sales	105,379	–	602,142	707,521
	33,839,544	2,047,913	2,102,909	37,990,366
Intersegment adjustments and eliminations	(105,379)	–	(602,142)	(707,521)
Total revenue from contracts with customers	33,734,165	2,047,913	1,500,767	37,282,845

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of completed properties	**21,302,227**	13,466,027
Land development	**–**	2,041,495
Hotel operations	**81,883**	90,642
Others	**8,251**	26,209
	21,392,361	15,624,373

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of completed properties

The performance obligation is satisfied upon delivery of the completed properties.

Land development

The performance obligation is satisfied when the land development is completed.

Hotel operations

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the services.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) ***Performance obligations*** **(Continued)**

Property management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

Design and decoration services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

	Notes	2019 RMB'000	2018 RMB'000
Other income			
Interest income		**2,518,331**	1,626,025
Other investment income		**207,017**	130,135
Government grants*		**58,050**	58,984
Default penalty income		**22,298**	7,340
		2,805,696	1,822,484
Gains			
Fair value gains on investment properties	17	**454,695**	189,380
Fair value gains on transfers from properties held for sale to investment properties		**356,045**	43,977
Gain on bargain purchase	41	**401,970**	74,992
Gain on disposal of subsidiaries	42	**1,018,026**	72,240
Fair value gains on the equity interest previously held as investments in joint ventures or associates		**346,240**	101,775
Foreign exchange gain, net	6	**50,780**	114,003
Gain on disposal of investments in joint ventures and associates		**322,454**	–
Others		**356,197**	303,542
		3,306,407	899,909
		6,112,103	2,722,393

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 RMB'000	2018 RMB'000
Cost of properties sold		**25,140,050**	17,619,523
Cost of land development		**2,477,754**	4,085,552
Cost of services provided		**2,973,394**	2,489,377
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**216,152**	194,494
Depreciation of property, plant and equipment	13	**408,903**	369,426
Depreciation of right-of-use assets (2018: recognition of prepaid land lease payments)	18(a), 18(b)	**139,829**	54,270
Amortisation of intangible assets	19	**13,407**	10,755
Minimum lease payments under operating leases		**–**	76,751
Lease payments not included in the measurement of lease liabilities	18(d)	**14,187**	–
Auditor's remuneration		**7,038**	6,004
Employee benefit expense (including directors' and chief executive's remuneration (note (8)):			
Wages and salaries		**2,159,835**	1,603,425
Equity-settled share option expense	38	**84,016**	21,911
Pension scheme contributions (defined contribution schemes)		**166,488**	152,968
Less: Amount capitalised		**(42,157)**	(26,679)
Net pension scheme contributions*		**124,331**	126,289
		2,368,182	1,751,625
Foreign exchange differences, net	5	**(50,780)**	(114,003)
Loss on disposal of items of property, plant and equipment**		**49**	1,213
Provision of impairment of trade receivables**	23	**6,542**	3,701
Impairment of financial assets included in prepayments, other receivables and other assets**		**–**	1,322
Ineffectiveness and hedging cost of cash flow hedges		**(1,441)**	(955)
Ineffectiveness and hedging cost of net investment hedges		**–**	25,489
Gain on bargain purchase***	41	**(401,970)**	(74,992)
Impairment of intangible assets	19	**–**	36

* At 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

** These items are included in "Other expenses and losses, net" in the consolidated statement of profit or loss.

*** Gain on bargain purchase is included in "Other income and gains" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank and other loans, notes and bonds	**6,325,733**	5,217,824
Interest on an amount due to fellow subsidiaries (note 46(a))	**116,745**	38,619
Interest on an amount due to the immediate holding company (note 46(a))	**278,928**	121,115
Interest on an amount due to an intermediate holding company (note 46(a))	**91,927**	–
Interest on an amount due to associates (note 46(a))	**5,745**	11
Interest on an amount due to joint ventures (note 46(a))	**48,461**	–
Interest on an amount due to the substantial shareholder (note 46(a))	**46,487**	–
Interest on lease liabilities (note 18(c))	**7,430**	–
Total interest expense	**6,921,456**	5,377,569
Less: Interest capitalised	**(4,652,398)**	(2,956,996)
	2,269,058	2,420,573

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Fees	**1,215**	1,167
Other emoluments:		
Salaries, allowances and benefits in kind	**9,622**	9,377
Bonuses*	**28,438**	23,475
Equity-settled share option expense	**3,024**	747
Pension scheme contributions	**1,401**	1,260
	42,485	34,859
	43,700	36,026

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 38 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

Mr. Lau Hon Chuen, Ambrose, Mr. Su Xijia, and Mr. Gao Shibin are independent non-executive directors of the Company, and the fees paid to them during the year were RMB405,000 (2018: RMB389,000), RMB405,000 (2018: RMB389,000), and RMB405,000 (2018: RMB389,000), respectively.

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors, non-executive directors and the chief executive

Executive directors

i. Mr. Li Congrui is the chief executive officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2018: Nil), salaries, allowances and benefits in kind of RMB3,339,000 (2018: RMB3,163,000), performance related bonuses of RMB5,833,000 (2018: RMB5,139,000), special bonuses of RMB7,701,000 (2018: RMB6,344,000), equity-settled share option expense of RMB1,008,000 (2018: RMB249,000), and pension scheme contributions of RMB523,000 (2018: RMB493,000).

ii. Mr. Jiang Nan is the chief financial officer of the Company. The remuneration paid to him during the year included fees of RMB0 (2018: Nil), salaries, allowances and benefits in kind of RMB3,336,000 (2018: RMB3,121,000), performance related bonuses of RMB4,258,000 (2018: RMB3,726,000), special bonuses of RMB2,695,000 (2018: RMB2,115,000), equity-settled share option expense of RMB1,008,000 (2018: RMB249,000), and pension scheme contributions of RMB437,000 (2018: RMB422,000).

iii. Mr. Song Liuyi is the executive director of the Company. The remuneration paid to him during the year included fees of RMB0 (2018: Nil), salaries, allowances and benefits in kind of RMB2,947,000 (2018: RMB3,093,000), performance related bonuses of RMB5,063,000 (2018: RMB4,036,000), special bonuses of RMB2,888,000 (2018: RMB2,115,000), equity-settled share option expense of RMB1,008,000 (2018: RMB249,000), and pension scheme contributions of RMB441,000 (2018: RMB345,000).

Non-executive directors

i. Mr. Ning Gaoning is the chairman and non-executive director of the Company. There was no remuneration paid to him during the year (2018: Nil).

ii. Mr. Yang Lin and Mr. An Hongjun are non-executive directors of the Company. There were no remuneration paid to them during the year (2018: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2018: three directors including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the five highest paid employees of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**14,132**	14,457
Bonuses	**39,637**	33,116
Equity-settled share option expense	**5,040**	1,246
Pension scheme contributions	**2,760**	1,872
	61,569	50,691

The number of five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$8,500,001 to HK$9,000,000	–	1
HK$9,500,001 to HK$10,000,000	1	1
HK$11,000,001 to HK$11,500,000	–	1
HK$11,500,001 to HK$12,000,000	1	1
HK$13,000,001 to HK$13,500,000	1	–
HK$14,000,001 to HK$14,500,000	1	–
HK$18,000,001 to HK$18,500,000	–	1
HK$20,500,001 to HK$21,000,000	1	–
	5	5

In prior years, share options were granted to three non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 38 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	Notes	2019 RMB'000	2018 RMB'000
Current			
PRC corporate income tax			
Charge for the year		**2,790,958**	3,184,808
(Overprovision)/underprovision in prior years		**(4,225)**	824
PRC land appreciation tax	34	**1,855,576**	1,467,896
		4,642,309	4,653,528
Deferred	35	**(447,326)**	(315,550)
Total tax charge for the year		**4,194,983**	4,337,978

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2018: 25%) on the taxable profits of the Group's PRC subsidiaries.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge for the year at the effective tax rates is as follows:

10. INCOME TAX (Continued)

2019

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
Profit before tax	324,989	12,499,112	12,824,101
Tax at the statutory income tax rate	53,623	3,124,778	3,178,401
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	45,179	–	45,179
Adjustment in respect of current tax of previous periods	–	(4,225)	(4,225)
Profits and losses attributable to joint ventures and associates	–	(147,434)	(147,434)
Income not subject to tax	(82,638)	(337,989)	(420,627)
Expenses not deductible for tax	29,015	260,623	289,638
Tax losses utilised from previous periods	–	(334,253)	(334,253)
Tax losses not recognised	–	196,622	196,622
LAT (note 34)	–	1,855,576	1,855,576
Tax effect of LAT	–	(463,894)	(463,894)
Tax charge for the year	45,179	4,149,804	4,194,983

2018

	Hong Kong RMB'000	Mainland China RMB'000	Total RMB'000
(Loss)/profit before tax	(1,350,177)	13,064,879	11,714,702
Tax at the statutory income tax rate	(222,779)	3,266,220	3,043,441
Effect of withholding tax at 5% on the distributable profits of certain PRC subsidiaries	39,027	–	39,027
Adjustment in respect of current tax of previous periods	–	824	824
Profits and losses attributable to joint ventures and associates	–	(94,983)	(94,983)
Income not subject to tax	(7,307)	(93,689)	(100,996)
Expenses not deductible for tax	230,086	70,913	300,999
Tax losses utilised from previous periods	–	(120,644)	(120,644)
Tax losses not recognised	–	169,388	169,388
LAT (note 34)	–	1,467,896	1,467,896
Tax effect of LAT	–	(366,974)	(366,974)
Tax charge for the year	39,027	4,298,951	4,337,978

The share of tax attributable to joint ventures and associates amounting to RMB247,615,000 (2018: share of tax credit of RMB162,475,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Interim – HK12.0 cents (2018 special interim dividend: HK12.0 cents) per ordinary share	**1,273,730**	1,201,481
Proposed final – HK11.0 cents (2018: HK10.0 cents) per ordinary share	**1,168,031**	988,589

The actual amount of the 2018 final dividend paid during the year ended 31 December 2019 was RMB1,018,798,000.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 11,650,154,307 (2018: 11,507,083,785) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of the Group's share options into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**6,452,210**	5,210,888

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**11,650,154,307**	11,507,083,785
Effect of dilution – weighted average number of ordinary shares:		
Share options	**52,775,198**	57,157,787
	11,702,929,505	11,564,241,572

13. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019:							
Cost	8,760,057	19,569	570,554	2,046,108	59,454	2,338,375	13,794,117
Accumulated depreciation and impairment	(1,717,879)	(19,551)	(103,458)	(1,178,884)	(45,242)	–	(3,065,014)
Net carrying amount	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
At 1 January 2019, net of accumulated depreciation and impairment	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
Additions	17,605	1,364	265	143,904	1,249	223,680	388,067
Disposals	(4,231)	(1)	(93)	(1,533)	(180)	(26,829)	(32,867)
Depreciation provided during the year (note 6)	(217,610)	(483)	(40,440)	(146,810)	(3,560)	–	(408,903)
Acquisition of subsidiaries (note 41)	–	–	–	80,719	133	73,802	154,654
Disposal of subsidiaries (note 42)	–	–	–	(892)	(142)	–	(1,034)
Gain on properties revaluation in relation to the transfer to investment properties	67,983	–	1,344	–	–	–	69,327
Transfer from properties under development (note 14)	–	–	111,330	–	–	–	111,330
Transfer to investment properties (note 17)	(91,409)	–	(7,340)	(6)	–	–	(98,755)
Transfers	(57,825)	–	–	90,143	–	(32,318)	–
Exchange realignment	–	–	–	2	–	–	2
At 31 December 2019, net of accumulated depreciation and impairment	6,756,691	898	532,162	1,032,751	11,712	2,576,710	10,910,924
At 31 December 2019:							
Cost	8,752,464	20,903	675,623	2,293,037	58,389	2,576,710	14,377,126
Accumulated depreciation and impairment	(1,995,773)	(20,005)	(143,461)	(1,260,286)	(46,677)	–	(3,466,202)
Net carrying amount	6,756,691	898	532,162	1,032,751	11,712	2,576,710	10,910,924

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	9,012,908	19,569	584,254	1,667,217	63,030	2,217,310	13,564,288
Accumulated depreciation and impairment	(1,481,160)	(19,551)	(97,877)	(1,082,632)	(44,276)	–	(2,725,496)
Net carrying amount	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792
At 1 January 2018, net of accumulated depreciation and impairment	7,531,748	18	486,377	584,585	18,754	2,217,310	10,838,792
Additions	17,576	–	12,327	59,505	2,651	255,435	347,494
Disposals	(35,634)	–	(4,451)	(1,889)	(974)	(34,838)	(77,786)
Depreciation provided during the year (note 6)	(236,719)	–	(18,852)	(109,306)	(4,549)	–	(369,426)
Acquisition of subsidiaries	–	–	–	1,649	–	–	1,649
Disposal of subsidiaries (note 42)	–	–	–	(2,886)	(433)	–	(3,319)
Gain on properties revaluation in relation to the transfer to investment properties	–	–	17,295	–	–	–	17,295
Transfer to investment properties (note 17)	–	–	(37,750)	–	–	–	(37,750)
Transfer from investment properties (note 17)	–	–	12,150	–	–	–	12,150
Transfers	(234,793)	–	–	335,562	(1,237)	(99,532)	–
Exchange realignment	–	–	–	4	–	–	4
At 31 December 2018, net of accumulated depreciation and impairment	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103
At 31 December 2018:							
Cost	8,760,057	19,569	570,554	2,046,108	59,454	2,338,375	13,794,117
Accumulated depreciation and impairment	(1,717,879)	(19,551)	(103,458)	(1,178,884)	(45,242)	–	(3,065,014)
Net carrying amount	7,042,178	18	467,096	867,224	14,212	2,338,375	10,729,103

At 31 December 2019, certain of the Group's hotel properties and buildings, construction in progress included in property, plant and equipment with an aggregate net carrying amount of approximately RMB297,415,000 (2018: RMB310,974,000) were pledged to secure bank loans granted to the Group (note 33).

14. PROPERTIES UNDER DEVELOPMENT

	Notes	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January		**98,599,092**	66,533,773
Additions		**46,463,109**	45,018,863
Transfer to properties held for sale		**(20,727,217)**	(14,525,556)
Transfer to property, plant and equipment	13	**(111,330)**	–
Acquisition of subsidiaries	41	**9,996,192**	12,993,213
Disposal of subsidiaries	42	**(8,095,596)**	(11,421,201)
Carrying amount at 31 December		**126,124,250**	98,599,092
Current portion		**(61,278,865)**	(48,471,834)
Non-current portion		**64,845,385**	50,127,258

At 31 December 2019, certain of the Group's properties included in properties under development with a net carrying amount of approximately RMB50,243,236,000 (2018: RMB44,927,739,000) were pledged to secure bank loans granted to the Group (note 33).

15. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects (the "Projects") in Mainland China. Though the Group does not have the ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**12,671,193**	15,875,080
Additions	**2,729,635**	1,756,445
Recognised during the year	**(2,705,013)**	(4,960,332)
Carrying amount at 31 December	**12,695,815**	12,671,193
Current portion	**(1,990,602)**	(3,099,645)
Non-current portion	**10,705,213**	9,571,548

16. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at the lower of cost and net realisable value. The Group's properties held for sale are situated in Mainland China.

At 31 December 2019, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately RMB132,501,000 (2018: RMB140,784,000) were pledged to secure bank loans granted to the Group (note 33).

17. INVESTMENT PROPERTIES

	Notes	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January		**29,205,862**	27,812,347
Additions		**690,726**	1,134,558
Transfer from properties held for sale		**808,710**	43,977
Net gain from a fair value adjustment	5	**454,695**	189,380
Transfer from property, plant and equipment	13	**98,755**	37,750
Transfer from right-of-use assets	18(b)	**1,935**	–
Transfer to property, plant and equipment	13	**–**	(12,150)
Carrying amount at 31 December		**31,260,683**	29,205,862

The Group's investment properties consist of 17 commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. Sixteen of the Group's investment properties were revalued individually on 31 December 2019 based on valuations performed by Cushman & Wakefield Limited (formerly known as DTZ Debenham Tie Leung Limited), Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

As at 31 December 2019, one of the Group's investment properties was a right-of-use asset relating to a building which will be leased out under one or more operating leases. This investment property was valued at approximately RMB98,741,000 as at 31 December 2019 by the Group's management.

These investment properties are leased under operating leases, further summary details of which are included in note 18 to the financial statements.

At 31 December 2019, certain of the Group's investment properties with a carrying value of RMB12,902,640,000 (2018: RMB12,688,153,000) were pledged to secure bank loans granted to the Group (note 33).

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	**42,100**	**31,218,583**	**31,260,683**

	Fair value measurement as at 31 December 2018 using		
	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:			
Commercial properties	47,800	29,158,062	29,205,862

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2018	27,764,677
Additions	1,134,558
Transfer from properties held for sale	43,977
Net gain from a fair value adjustment	189,250
Transfer from property, plant and equipment	37,750
Transfer to property, plant and equipment	(12,150)
Carrying amount at 31 December 2018 and 1 January 2019	29,158,062
Additions	690,726
Transfer from properties held for sale	808,710
Transfer from right-of-use assets	1,935
Net gain from a fair value adjustment	460,395
Transfer from property, plant and equipment	98,755
Carrying amount at 31 December 2019	31,218,583

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2019	2018
Property 1 – Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield	**5.50%**	6.00%
		Reversionary yield	**6.00%**	6.50%
		Market rent (per square metre ("sqm") per annum ("p.a."))	**RMB5,347 – RMB9,726**	RMB5,292 – RMB9,732
Property 2 – Sinochem Tower	Term and reversion method	Term yield	**3.00% – 5.50%**	3.00% – 5.50%
		Reversionary yield	**3.50% – 6.00%**	3.50% – 6.00%
		Market rent (per sqm p.a.)	**RMB3,166 – RMB9,600**	RMB2,988 – RMB9,840
Property 3 – Jin Mao Tower	Term and reversion method	Term yield	**3.50% – 4.50%**	3.50% – 4.50%
		Reversionary yield	**4.00% – 5.00%**	4.00% – 5.00%
		Market rent (per sqm p.a.)	**RMB4,619 – RMB12,000**	RMB4,224 – RMB12,000
Property 4 – Zhuhai Every Garden	Term and reversion method	Term yield	**5.00% – 6.25%**	5.50% – 6.25%
		Reversionary yield	**5.50% – 6.50%**	6.00% – 6.50%
		Market rent (per sqm p.a.)	**RMB518 – RMB720**	RMB516 – RMB744
Property 5 – Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield	**3.50% – 4.50%**	3.50% – 4.50%
		Reversionary yield	**4.00% – 5.00%**	4.00% – 5.00%
		Market rent (per sqm p.a.)	**RMB2,160 – RMB7,560**	RMB2,088 – RMB7,440

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2019	2018
Property 6 – Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.)	**RMB1,018**	RMB657
		Rental growth p.a.	**0.00% – 3.00% (3.00%)**	0.00% – 3.00% (3.00%)
		Long term vacancy rate	**8.22%**	4.11%
		Discount rate	**6.00%**	6.00%
Property 7 – Lijiang J • LIFE	Term and reversion method	Term yield	**5.50%**	5.50%
		Reversionary yield	**5.50%**	6.00%
		Market rent (per sqm p.a.)	**RMB1,044**	RMB1,284
Property 8 – Shanghai International Shipping Service Center	Market comparable method	Price per sqm	**RMB57,194 – RMB90,275**	RMB57,057
Property 9 – Qingdao Jinmao Harbour Shopping Center	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB1,644**	RMB1,632
Property 10 – Ningbo Jiayuan Plaza	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB684 – RMB5,040**	RMB672 – RMB4,800
Property 11 – Ningbo Huijin Building	Term and reversion method	Term yield	**4.00%**	4.00%
		Reversionary yield	**4.50%**	4.50%
		Market rent (per sqm p.a.)	**RMB875 – RMB5,040**	RMB880 – RMB4,800
Property 12 – Changsha Jinmao Mall of Splendor	Discounted cash flow method	Estimated rental value (per sqm p.a.)	**RMB1,201**	RMB1,201
		Rental growth p.a.	**3.00%**	3.61%
		Long term vacancy rate	**5.00%**	5.00%
		Discount rate	**6.76%**	6.00%
Property 13 – Beijing Chaoyang Jinmao Centre Project	Residual method	Developer's profit rate	**5.00%**	5.00%
	Term and reversion method	Reversionary yield	**5.00% – 5.50%**	5.00% – 5.50%
		Market rent (per sqm p.a.)	**RMB2,280 – RMB3,600**	RMB2,280 – RMB3,600
Property 14 – Nanjing Southern Hexi Yuzui Land Parcel No. G97	Residual method	Developer's profit rate	**5.00%**	5.00%
	Term and reversion method	Reversionary yield	**3.00% – 6.00%**	3.00% – 6.00%
		Market rent (per sqm p.a.)	**RMB1,680 – RMB2,544**	RMB1,680 – RMB2,544
Property 15 – Hangzhou Shangtang Project	Residual method	Developer's profit rate	**5.00%**	5.00%
	Term and reversion method	Reversionary yield	**2.00%**	2.00%
		Market rent (per sqm p.a.)	**RMB1,392**	RMB1,392
Property 16 – Wangfujing Quadrangle Courtyard	Term and reversion method	Term yield	**4.00%**	NA
		Reversionary yield	**4.50%**	NA
		Market rent (per sqm p.a.)	**RMB6,180**	NA
Property 17 – Jinmao Boill e-Wisdom Valley Executive Apartment	Term and reversion method	Term yield	**4.84%**	NA
		Reversionary yield	**4.84%**	NA
		Market rent (per sqm p.a.)	**RMB665**	NA

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase (decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties. A significant increase (decrease) in the market rent would result in a significant increase (decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method, a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square meter of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis".

17. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The market comparable method is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square metre. The market comparable approach is often used in combination with either the discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase (decrease) in the price per square metre would result in a significant increase (decrease) in the fair value of the investment properties.

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction cost, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to the Group by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by the relevant parties will also be considered.

A significant increase (decrease) in the developer's profit rate would result in a significant decrease (increase) in the fair value of the investment properties.

18. LEASES

The Group as a lessee

The Groups lease certain of office properties, staff quarters and an operating property under operating lease arrangements. Leases for office properties and staff quarters are negotiated for terms ranging from one to six years. The lease for the operating property is negotiated for a term of fifteen years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 70 years, and no ongoing payments will be made under the terms of these land leases.

(a) Prepaid land lease payments (before 1 January 2019)

	Notes	RMB'000
Carrying amount at 1 January 2018		1,561,118
Additions		5,084
Recognised in profit or loss during the year	6	(54,270)
Carrying amount at 31 December 2018		1,511,932
Current portion included in prepayments, other receivables and other assets	24	(53,686)
Non-current portion		1,458,246

18. LEASES (Continued)

The Group as a lessee (Continued)

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	Office properties and staff quarters RMB'000	Total RMB'000
As at 1 January 2019	1,511,932	107,030	1,618,962
Additions	–	116,418	116,418
Additions as a result of acquisition of subsidiaries (note 41)	10,521	10,169	20,690
Transfer to investment properties (note 17)	(1,935)	–	(1,935)
Depreciation charge	(54,567)	(85,262)	(139,829)
As at 31 December 2019	1,465,951	148,355	1,614,306

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of RMB142,871,000 (2018: prepaid land lease payments of RMB148,976,000) were pledged to secure bank loans granted to the Group (note 33).

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	96,004
New leases	169,143
Additions as a result of acquisition of subsidiaries (note 41)	8,856
Accretion of interest recognised during the year (note 7)	7,430
Payments	(85,824)
Carrying amount at 31 December	195,609
Analysed into	
Current portion	75,244
Non-current portion	120,365

The maturity analysis of lease liabilities is disclosed in note 49 to the financial statements.

18. LEASES (Continued)

The Group as a lessee (Continued)

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	**7,430**
Depreciation charge of right-of-use assets	**139,829**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**6,666**
Expense relating to leases of low-value assets (included in administrative expenses)	**7,521**
Total amount recognised in profit or loss	**161,446**

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 43(c) and 45, respectively, to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 17) consisting of 17 commercial properties in Mainland China under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB1,446,776,000 (2018: RMB1,449,822,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**1,330,942**	1,267,228
After one year but within two years	**930,780**	1,071,923
After two years but within three years	**396,793**	623,150
After three years but within four years	**176,569**	166,558
After four years but within five years	**133,390**	133,314
After five years	**222,615**	313,302
	3,191,089	3,575,475

19. INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2019	
At 1 January 2019:	
Cost	**129,244**
Accumulated amortisation and impairment	**(84,429)**
Net carrying amount	**44,815**
Cost at 1 January 2019, net of accumulated amortisation and impairment	**44,815**
Additions	**18,743**
Acquisition of subsidiaries (note 41)	**543**
Disposals	**(671)**
Amortisation provided during the year (note 6)	**(13,407)**
At 31 December 2019	**50,023**
At 31 December 2019:	
Cost	**150,611**
Accumulated amortisation and impairment	**(100,588)**
Net carrying amount	**50,023**

	Computer software RMB'000
31 December 2018	
At 1 January 2018:	
Cost	104,894
Accumulated amortisation and impairment	(73,644)
Net carrying amount	31,250
Cost at 1 January 2018, net of accumulated amortisation and impairment	31,250
Additions	24,522
Disposal of subsidiaries (note 42)	(156)
Disposals	(10)
Impairment (note 6)	(36)
Amortisation provided during the year (note 6)	(10,755)
At 31 December 2018	44,815
At 31 December 2018:	
Cost	129,244
Accumulated amortisation and impairment	(84,429)
Net carrying amount	44,815

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES

Investments in joint ventures

	2019 RMB'000	2018 RMB'000
Share of net assets	**11,511,385**	7,346,601

The amounts due from and to joint ventures are disclosed in note 26 to the financial statements.

All of the Group's investments in joint ventures are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain joint ventures because the share of loss of the joint ventures exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the joint ventures for the current year and cumulatively were RMB348,791,000 (2018: RMB93,665,000) and RMB471,886,000 (2018: RMB123,095,000), respectively.

The joint ventures of the Group are considered not individually material and the following table illustrates the aggregate financial information of the joint ventures:

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profit for the year	**722,390**	369,183
Share of the joint ventures' total comprehensive income for the year	**722,390**	369,183
Aggregate carrying amount of the Group's investments in the joint ventures	**11,511,385**	7,346,601

Joint operations

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop the Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Jin Mao, an indirect wholly-owned subsidiary of the Company was established for the purpose of operating the Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Jin Mao agreed to make a capital injection of RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, to subscribe for its new registered capital.

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

On 28 July 2011, Qingdao Jin Mao completed the acquisition of a 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to the newly registered capital of Lanhai Xingang City. On the same day, Qingdao Jin Mao and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, where branch 1 would be unilaterally managed and controlled by Qingdao Jin Mao in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City.

The Group considered this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplementary agreement.

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	**266**	310
Properties under development	**–**	125,226
Total non-current assets	**266**	125,536
Current assets		
Properties held for sale	**382,146**	424,298
Properties under development	**94,284**	–
Prepayments, other receivables and other assets	**13,990**	17,206
Prepaid tax	**23,791**	18,722
Restricted bank balances	**114,482**	52,884
Cash and cash equivalents	**28,065**	60,542
Total current assets	**656,758**	573,652
Current liabilities		
Trade and bills payables	**310,728**	402,318
Other payables and accruals	**201,080**	99,329
Total current liabilities	**511,808**	501,647
Net current assets	**144,950**	72,005
Total assets less current liabilities	**145,216**	197,541
Non-current liabilities		
Deferred tax liabilities	**1**	–
Net assets	**145,215**	197,541

20. JOINT OPERATIONS AND INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

	2019 RMB'000	2018 RMB'000
Revenue	29,045	404,048
Cost of sales	(23,107)	(290,729)
Gross profit	5,938	113,319
Other income and gains	487	1,158
Selling and marketing expenses	(1,128)	(10,071)
Administrative expenses	(4,490)	(3,971)
Profit before tax	807	100,435
Income tax	9,963	(53,604)
Profit for the year	10,770	46,831

21. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	7,597,657	6,698,667

The amounts due from and to associates are disclosed in note 26 to the financial statements.

All of the Group's investments in associates are indirectly held by the Company.

The Group has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded the Group's interests in them and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of the associates for the current year and cumulatively were RMB79,154,000 (2018: RMB43,706,000) and RMB172,540,000 (2018: RMB93,386,000), respectively.

The associates of the Group are considered not individually material and the following table illustrates the aggregate financial information of the associates:

	2019 RMB'000	2018 RMB'000
Share of the associates' (loss)/profit for the year	(132,653)	10,749
Share of the associates' total comprehensive (loss)/income for the year	(132,653)	10,749
Aggregate carrying amount of the Group's investments in the associates	7,597,657	6,698,667

22. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**157,704**	103,147
Consumables and tools	**3,117**	4,024
Hotel merchandise	**10,547**	10,415
Trading stock	**2,806**	2,611
	174,174	120,197

23. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**1,462,059**	799,241
Impairment	**(16,195)**	(9,653)
	1,445,864	789,588

Consideration in respect of properties sold is receivable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group has pledged trade receivables of approximately RMB25,514,000 (2018: RMB22,939,000) to secure a bank loan granted to the Group (note 33).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	**76,258**	379,557
1 to 3 months	**1,182,884**	67,386
4 to 6 months	**52,428**	31,266
6 months to 1 year	**68,641**	18,153
Over 1 year	**65,653**	293,226
	1,445,864	789,588

23. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**9,653**	5,952
Impairment losses, net (note 6)	**6,542**	3,701
At 31 December	**16,195**	9,653

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	**0.02%**	**1.22%**	**7.33%**	**31.70%**	**1.11%**
Gross carrying amount (RMB'000)	**1,409,708**	**1,561**	**1,133**	**49,657**	**1,462,059**
Expected credit losses (RMB'000)	**351**	**19**	**83**	**15,742**	**16,195**

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.09%	2.96%	3.35%	34.27%	1.21%
Gross carrying amount (RMB'000)	768,338	3,550	1,793	25,560	799,241
Expected credit losses (RMB'000)	728	105	60	8,760	9,653

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments	**8,502,740**	3,986,959
Deposits	**5,695,954**	1,283,040
Other receivables	**9,649,985**	11,968,726
Due from non-controlling shareholders	**6,269,918**	1,999,221
Entrusted loans to third parties	**–**	600,000
Contract costs	**84,409**	129,167
Prepaid land lease payments (note 18(a))	**–**	53,686
	30,203,006	20,020,799

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

The current balances of amounts due from non-controlling shareholders are unsecured, interest-free and repayable within one year, except for the amounts of RMB4,158,874,000, in aggregate, which bear interest at rates from 0.35% to 4.35% per annum (2018: RMB1,999,221,000, in aggregate, which bear interest at rates from 0.35% to 2.375% per annum).

The entrustment loans to third parties of RMB600,000,000 as at 31 December 2018 were unsecured, bore interest at rate 2.175% per annum and receivable within one year.

Management expects the contracts costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts as contract costs and amortised when the related revenue are recognised.

As at 31 December 2019, the non-current balance included a pledged deposit of RMB246,000,000 (2018: RMB300,000,000) made to a local government for performance guarantee, which is not repayable within one year.

25. CONTRACT ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Contract assets arising from design and decoration services	**267,009**	154,500	53,985
	267,009	154,500	53,985

Contract assets are initially recognised for other revenue earned from the design and decoration services as the receipt of consideration is conditional on successful completion of services, respectively. Included in contract assets for design and decoration services are retention receivables. Upon completion of design and decoration services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing provision of design and decoration services at the end of each of the years.

The expected timing of recovery or settlement for contract assets as at 31 December 2019 is within one year.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2019	2018
Expected credit loss rate	**0%**	0%
Gross carrying amount (RMB'000)	**267,009**	154,500
Expected credit losses (RMB'000)	**–**	–

26. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Notes	2019 RMB'000	2018 RMB'000
Current:			
Due from related parties:			
The ultimate holding company		280	–
An intermediate holding company		–	360
The immediate holding company		1,392	1,239
Fellow subsidiaries	(i)	57,904	295,374
Associates	(ii)	13,161,106	16,148,835
Joint ventures	(iii)	21,099,610	20,561,332
An associate of the Group's ultimate holding company		–	87
The substantial shareholder	(iv)	1,435,928	–
		35,756,220	37,007,227
Non-current:			
Due from related parties:			
Fellow subsidiaries		64,398	–
Associates	(v)	1,265,515	–
Joint ventures	(vi)	6,927,839	1,967,350
		8,257,752	1,967,350
Due to related parties:			
The ultimate holding company		2,077	2,170
An intermediate holding company	(vii)	6,901,926	1,823,707
The immediate holding company	(viii)	10,615,072	7,859,546
Fellow subsidiaries	(ix)	2,040,945	928,582
Associates		4,874,312	1,973,590
Joint ventures		6,137,520	3,273,768
An associate of the Group's ultimate holding company		2,678	24,041
The substantial shareholder		100,652	–
		30,675,182	15,885,404

26. BALANCES WITH RELATED PARTIES (Continued)

The amounts due from related parties are unsecured, interest-free and are repayable on demand, except for the following:

(i) The current balances of amounts due from fellow subsidiaries as at 31 December 2018 include an amount of RMB288,000,000, which bears interest at a rate of 2.18% per annum (2019: Nil).

(ii) The current balances of amounts due from associates as at 31 December 2019 include the amounts of RMB6,446,393,000, in aggregate, which bear interest at rates ranging from 4.35% to 10.00% per annum (2018: RMB5,906,345,000, in aggregate, which bear interest at rates ranging from 5.23% to 10.00% per annum).

(iii) The current balances of amounts due from joint ventures as at 31 December 2019 include the amounts of RMB11,651,801,000, in aggregate, which bear interest at rates ranging from 2.00% to 10.00% per annum (2018: RMB12,746,709,000, in aggregate, which bear interest at rates ranging from 2.42% to 10.26% per annum).

(iv) The current balance of amounts due from the substantial shareholder as at 31 December 2019 include the amounts of RMB1,435,928,000, in aggregate, which bear interest at rates ranging from 2.175% to 2.75% per annum (2018: Nil).

(v) The non-current balances of amounts due from associates as at 31 December 2019 include the amounts of RMB1,265,515,000, in aggregate, which bear interest at a rate of 8.00% per annum (2018: Nil).

(vi) The non-current balances of amounts due from joint ventures as at 31 December 2019 include the amounts of RMB6,927,839,000, in aggregate, which bear interest at a rate of 8.00% per annum (2018: RMB1,967,350,000, which bears interest at a rate of 8.00% per annum).

The amounts due to related parties are unsecured, interest-free and are repayable on demand, except for the following:

(vii) The current balances of amounts due to an intermediate holding company as at 31 December 2019 include the amounts of RMB6,800,000,000, in aggregate, which bear interest at rates ranging from 4.20% to 4.35% per annum (2018: Nil).

(viii) The current balances of amounts due to the immediate holding company as at 31 December 2019 include the amounts of RMB10,557,771,000, in aggregate, which bear interest at rates ranging from 3.21% to 4.61% per annum (2018: Nil).

(ix) The current balances of amounts due to fellow subsidiaries as at 31 December 2019 include an amount of RMB1,395,288,000, which bears interest at a rate of 4.50% per annum (2018: Nil).

27. OTHER FINANCIAL ASSETS

	2019 RMB'000	2018 RMB'000
Non-current balances		
Unlisted equity investments, at fair value (2018: at fair value)	**230,000**	180,000
Other unlisted investments, at fair value (2018: at fair value)	**95,274**	1,059,281
	325,274	1,239,281
Current balances		
Other unlisted investments, at fair value (2018: at fair value)	**1,077**	2,199
	1,077	2,199
	326,351	1,241,480

The above equity investments were classified as financial assets at fair value through profit or loss.

The above other unlisted investments were wealth management products issued by banks in Mainland China.

28. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES AND DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**17,056,997**	21,175,637
Time deposits	**10,924,314**	4,606,142
	27,981,311	25,781,779
Less:		
Restricted bank balances	**(7,486,609)**	(4,457,579)
Long-term time deposit	**(3,300,000)**	–
Cash and cash equivalents	**17,194,702**	21,324,200

At 31 December 2019, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB19,707,251,000 (2018: RMB20,783,706,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of within one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28. CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES AND DEPOSITS (Continued)

Included in the Group's cash and cash equivalents are deposits of RMB2,442,111,000 (2018: RMB5,675,285,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.35% to 1.50% per annum (2018: 0.35% to 1.50%). The Group's long-term time deposit of RMB3,300,000,000 (2018: Nil) is placed with Sinochem Finance and has a term of 2 years with a fixed rate of 3.15% per annum. Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 46(a) to the financial statements.

29. DUE FROM NON-CONTROLLING SHAREHOLDERS

The non-current balances of amounts due from non-controlling shareholders are unsecured, bear interest at rates from 2.18% to 4.75% per annum and are not repayable within one year.

30. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**18,335,309**	10,995,487
Over 1 year	**660,225**	697,357
	18,995,534	11,692,844

The trade and bills payables are non-interest-bearing and are normally settled on 60-day terms.

31. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Other payables	(a)	**11,601,566**	7,661,225
Receipts in advance		**111,303**	124,153
Contract liabilities	(b)	**64,657,028**	46,967,258
Accruals		**234,730**	182,003
Due to non-controlling shareholders	(c)	**4,851,234**	13,199,767
Dividend payable to non-controlling shareholders		**250**	23,718
Deferred revenue		**1,034,119**	–
		82,490,230	68,158,124

31. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(a) Other payables are non-interest-bearing with an average term of not more than one year.

(b) Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers			
Sale of properties	**64,331,782**	46,783,892	36,589,633
Land development	**–**	–	2,041,495
Hotel operations	**96,967**	85,241	94,077
Others	**228,279**	98,125	91,677
Total contract liabilities	**64,657,028**	46,967,258	38,816,882

Contract liabilities include short-term advances received to deliver completed properties and land development assets, render hotel operations, design and decoration services and management services. The increase in contract liabilities in 2019 and 2018 was mainly due to the increase in short-term advances received from customers in relation to the sales of properties at the end of the years.

(c) The amounts due to non-controlling shareholders as at 31 December 2019 are unsecured, interest-free and are repayable on demand, except for the amounts of RMB3,326,892,000, in aggregate, which bear interest at rates ranging from 3.43% to 10.00% per annum.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018	
	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Interest rate swaps	**34,991**	847	32,795
Cross currency interest rate swaps	**17,880**	–	11,974
Foreign currency forward contract	**253**	–	–
Carrying amount at 31 December	**53,124**	847	44,769
Current portion	**(18,133)**	(847)	–
Non-current portion	**34,991**	–	44,769

Derivative financial instruments of the Group were conducted with creditworthy banks.

Cash flow hedge – Interest rate risk and foreign currency risk

At 31 December 2019, the Group had interest rate swap agreements in place with a notional amount of HK$1,920,000,000 whereby they pay interest at fixed rates ranged from of 3.81% to 4.45% and receive interest at variable rates equal to the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.45% to 1.65% on the notional amount. The swaps are being used to hedge the interest rate exposure of floating rate unsecured bank loan with aggregate face value of HK$1,920,000,000.

32. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with notional amounts of US$250,000,000 and HK$1,960,350,000 whereby they pay interest at a fixed rate of 3.45% and pay HK$1,960,350,000 on the maturity date, and receive interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.1% and receive US$250,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with face value of US$250,000,000.

At 31 December 2019, the Group had a cross currency interest rate swap agreement in place with notional amounts of JPY2,000,000,000 and HK$145,137,881 whereby they pay interest at a variable rate equal to LIBOR plus 1.62% and pay HK$145,137,881 on the maturity date, and receive interest at a variable rate equal to LIBOR plus 1% and receive JPY2,000,000,000 on the maturity date. The swap is being used to hedge the interest rate and foreign currency risk exposure of a floating rate unsecured bank loan with a face value of JPY2,000,000,000.

At 31 December 2019, the Group had a foreign currency forward contract in place with notional amounts of US$94,380,000 and HK$735,503,340 whereby they pay HK$735,503,340 on the maturity date, and receive US$94,380,000 on the maturity date. The foreign currency forward contract is being used to hedge the foreign currency risk exposure to the unsecured bank loan with a face value of US$94,380,000.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the swaps and foreign currency forward contracts match the terms of the variable rate foreign currency denominated bank loans (i.e., notional amount, maturity, payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the swaps and foreign currency forward contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted payments and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans, secured	**4.13**	**2020**	**980,000**	–	–	–
Bank loans, unsecured	**1.62-5.69**	**2020**	**5,624,278**	2.07-4.79	2019	4,608,229
Other loans, unsecured	**–**	**–**	**–**	6.00-7.00	2019	903,736
Notes, unsecured	**–**	**–**	**–**	4.27	2019	700,000
Current portion of long term bank loans, secured	**4.15-5.61**	**2020**	**1,148,500**	4.75-6.37	2019	2,743,000
Current portion of long term bank loans, unsecured	**3.48-5.46**	**2020**	**5,870,461**	2.27-5.40	2019	7,909,790
Current portion of long term other loans, unsecured	**4.75-7.07**	**2020**	**7,609,408**	3.53-6.30	2019	5,111,480
Current portion of long term notes, unsecured	**3.55-4.78**	**2020**	**5,430,238**	–	–	–
			26,662,885			21,976,235
Non-current						
Bank loans, secured	**4.28-6.65**	**2021-2030**	**11,384,826**	4.27-9.82	2020-2030	8,274,893
Bank loans, unsecured	**2.86-5.70**	**2021-2029**	**14,658,927**	2.27-5.40	2020-2024	15,483,902
Other loans, unsecured	**3.53-7.21**	**2021-2037**	**22,478,182**	3.53-7.00	2020-2034	24,343,760
Notes, unsecured	**3.60-6.75**	**2021-2024**	**17,051,316**	3.60-6.75	2020-2022	17,440,818
Domestic corporate bonds, unsecured	**3.65-3.72**	**2021-2024**	**3,800,000**	3.55	2020	453,050
			69,373,251			65,996,423
			96,036,136			87,972,658

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**13,623,239**	15,261,020
In the second year	**6,125,831**	10,081,975
In the third to fifth years, inclusive	**16,570,117**	12,677,319
Beyond five years	**3,347,805**	999,500
	39,666,992	39,019,814
Other borrowings repayable:		
Within one year	**13,039,646**	6,715,215
In the second year	**13,844,802**	11,034,122
In the third to fifth years, inclusive	**18,339,185**	26,930,507
Beyond five years	**11,145,511**	4,273,000
	56,369,144	48,952,844
	96,036,136	87,972,658

Notes:

(a) As at 31 December 2019, the Group had loan facilities amounting to RMB157,135,999,000 (2018: RMB130,083,192,000), of which RMB69,754,582,000 (2018: RMB70,078,790,000) had been utilised.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of approximately RMB297,415,000 (2018: RMB310,974,000);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately RMB50,243,236,000 (2018: RMB44,927,739,000);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of RMB132,501,000 (2018: RMB140,784,000);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately RMB12,902,640,000 (2018: RMB12,688,153,000);

(v) mortgages over certain of the Group's right-of-use assets, which had an aggregate carrying amount at the end of the reporting period of RMB142,871,000 (2018: prepaid land lease payments of RMB148,976,000);

(vi) mortgages over certain of the Group's trade receivables, which had an aggregate carrying amount at the end of the reporting period of RMB 25,514,000 (2018: RMB22,939,000); and

(vii) pledge of certain of the equity interests in the Group's joint ventures, which had an aggregate carrying amount at the end of the reporting period of RMB551,668,000 (2018: pledge of certain of the equity interests in the Group's subsidiaries, which had an aggregate carrying amount of RMB563,668,000).

(c) Except for the bank and other borrowings amounting to approximately RMB17,218,509,000 (2018: RMB10,890,814,000), RMB14,495,399,000 (2018: RMB15,168,295,000) and RMB127,688,000 (2018: Nil) which are denominated in United States dollars, Hong Kong dollars and Japanese Yen respectively, all bank and other borrowings are denominated in RMB.

34. PROVISION FOR LAND APPRECIATION TAX

	RMB'000
At 1 January 2018	3,633,637
Charged to the statement of profit or loss during the year (note 10)	1,467,896
Payment during the year	(2,004,136)
Transfer from prepaid tax	(416,509)
At 31 December 2018 and 1 January 2019	**2,680,888**
Charged to the statement of profit or loss during the year (note 10)	**1,855,576**
Payment during the year	**(713,145)**
Transfer from prepaid tax	**(533,184)**
At 31 December 2019	**3,290,135**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值税暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the pre-sales and sales proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Revaluation of properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Accrued interest income RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2018	3,437,824	530,768	709,112	142,197	115,834	128,395	5,064,130
Acquisition of subsidiaries	–	–	88,936	–	–	–	88,936
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	58,339	75,017	(65,760)	–	10,290	18,476	96,362
Deferred tax charged to the statement of comprehensive income during the year	4,324	–	–	–	–	–	4,324
Gross deferred tax liabilities at 31 December 2018	**3,500,487**	**605,785**	**732,288**	**142,197**	**126,124**	**146,871**	**5,253,752**
Effect of adoption of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**24,001**	**24,001**
At 1 January 2019 (restated)	**3,500,487**	**605,785**	**732,288**	**142,197**	**126,124**	**170,872**	**5,277,753**
Acquisition of subsidiaries (note 41)	**–**	**–**	**440,671**	**–**	**–**	**–**	**440,671**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**222,176**	**73,457**	**(357,883)**	**–**	**97,088**	**151,910**	**186,748**
Deferred tax charged to the statement of comprehensive income during the year	**17,332**	**–**	**–**	**–**	**–**	**–**	**17,332**
Gross deferred tax liabilities at 31 December 2019	**3,739,995**	**679,242**	**815,076**	**142,197**	**223,212**	**322,782**	**5,922,504**

35. DEFERRED TAX (Continued)

Deferred tax assets

	Provision for LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	884,303	112,871	481,509	25,713	1,504,396
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(221,819)	253,622	382,404	(2,295)	411,912
Disposal of subsidiaries (note 42)	–	(5,586)	–	–	(5,586)
Gross deferred tax assets at 31 December 2018	**662,484**	**360,907**	**863,913**	**23,418**	**1,910,722**
Effect of adoption of HKFRS 16	**–**	**–**	**–**	**24,001**	**24,001**
At 1 January 2019 (restated)	**662,484**	**360,907**	**863,913**	**47,419**	**1,934,723**
Acquisition of subsidiaries (note 41)	**–**	**175,748**	**–**	**–**	**175,748**
Deferred tax credited to the statement of profit or loss during the year (note 10)	**114,621**	**175,870**	**334,542**	**9,041**	**634,074**
Disposal of subsidiaries (note 42)	**–**	**(1,557)**	**(21,814)**	**–**	**(23,371)**
Gross deferred tax assets at 31 December 2019	**777,105**	**710,968**	**1,176,641**	**56,460**	**2,721,174**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

35. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**2,708,346**	1,897,894
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(5,909,676)**	(5,240,924)
	(3,201,330)	(3,343,030)

The Group also has tax losses arising in Mainland China of RMB3,091,488,000 (2018: RMB3,414,677,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019, the Group recognised deferred tax liabilities of approximately RMB142,197,000 (2018 RMB142,197,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining unremitted earnings of the Group's subsidiaries, joint ventures and joint operations will be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB34,751,989,000 at 31 December 2019 (2018: RMB32,369,182,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. PERPETUAL SECURITIES

(a) 2016 Subordinate Guaranteed Perpetual Capital Securities

On 4 February 2016, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,270,950,000). The direct transaction costs attributable to the issuance amounted to US$1,470,000 (equivalent to approximately RMB9,619,000).

The securities confer a right to receive distributions at the applicable distribution rate of 6% per annum from and including 4 February 2016, payable semi-annually on 4 February and 4 August of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(b) 2016 Domestic Renewable Corporate Bonds

On 16 June 2016, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, issued the domestic renewable corporate bonds with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB5,737,000.

The coupon rate was fixed at 3.70% and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

On 16 June 2019, the Group redeemed all of these domestic renewable corporate bonds with a principal amount of RMB2,000,000,000.

(c) 2017 Subordinate Guaranteed Perpetual Capital Securities

On 17 January 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an amount of US$497,615,000 (equivalent to approximately RMB3,433,145,000), at 99.523% of the principal amount of US$500,000,000. The direct transaction costs attributable to the issuance amounted to US$3,862,000 (equivalent to approximately RMB26,645,000).

The securities confer a right to receive distributions at the applicable distribution rate of 5.75% per annum from and including 17 January 2017, payable semi-annually on January 17 and July 17 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

On 6 November 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,987,410,000). The direct transaction costs attributable to the issuance amounted to US$196,000 (equivalent to approximately RMB1,296,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.875% per annum from and including 6 May 2018, payable semi-annually on May 6 and November 6 of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

36. PERPETUAL SECURITIES (Continued)

(d) 2017 Senior Guaranteed Perpetual Capital Securities

On 3 July 2017, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,033,160,000). On 1 September 2017, Franshion Brilliant Limited completed another issue of the senior guaranteed perpetual capital securities with an amount of US$200,182,000 (equivalent to approximately RMB1,319,380,000), at 100.091% of the principal amount of US$200,000,000 and an accrued distribution of US$1,289,000 (equivalent to RMB8,495,000) compensated from the bankers.

The securities confer a right to receive distribution at 4.00% per annum payable semi-annually in arrears beginning on 3 January 2018 with no stated maturity date. The transaction costs related to the issuance were approximately US$1,735,000 (equivalent to approximately RMB11,566,000).

(e) 2017 Hwabao Trust Perpetual Capital Securities

On 22 December 2017, Jinmao Investment Management (Shanghai) Co., Ltd. completed an issue of the guaranteed perpetual capital securities, in an aggregate principal amount of RMB621,000,000 with the trust plan established by Hwabao Trust Co., Ltd.

The securities confer a right to receive distribution at 6.95% per annum payable semi-annually in arrears beginning on 21 June 2018. The issuer, may at its sole discretion, elect to defer a distribution pursuant to the terms of the securities.

(f) 2018 Senior Guaranteed Perpetual Capital Securities

On 4 December 2018, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,068,170,000). The direct transaction costs attributable to the issuance amounted to US$1,997,700 (equivalent to approximately RMB13,772,000).

The securities confer a right to receive distributions at the 6.90% per annum payable semi-annually in arrears beginning on 4 December 2018 with no stated maturity date. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

(g) 2018 Domestic Unsecured Perpetual Medium-Term Notes

On 18 December 2018, Jinmao Investment Management (Shanghai) Co., Ltd. issued the unsecured perpetual medium-term notes, with an aggregate principal amount of RMB2,000,000,000. The direct transaction costs attributable to the issuance amounted to RMB6,882,000.

The notes confer a right to receive distribution at 5.00% per annum payable annually beginning on 20 December 2018 and every three interest-bearing years shall be a cycle. The Group has the option for extension at the end of every three interest-bearing years.

36. PERPETUAL SECURITIES (Continued)

(h) **2019 Subordinate Guaranteed Perpetual Capital Securities**

On 6 December 2019, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,815,320,000). The direct transaction costs attributable to the issuance amounted to US$759,000 (equivalent to approximately RMB5,340,000).

The securities confer a right to receive distributions at the applicable distribution rate of 7.125% per annum from and including 6 June 2020, payable semi-annually on 6 June and 6 December of each year. The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the securities in (a) to (h) above due to redemption other than an unforeseen liquidation of the Company or the issuers. Accordingly, these securities are classified as equity instruments.

37. SHARE CAPITAL

Shares

	2019 RMB'000	2018 RMB'000
Issued and fully paid: 11,769,524,490 (2018:11,553,528,329) ordinary shares	**10,660,742**	10,469,821

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2018 and 1 January 2019	**11,553,528,329**	20,416,452
Issue of new shares (note a)	**169,494,061**	724,385
Share options exercised (note b)	**46,502,100**	110,023
31 December 2019	**11,769,524,490**	21,250,860

Notes:

(a) The Company issued 169,494,061 ordinary shares at the placing price of HK$4.8106 per share with net proceeds of approximately RMB724,385,000.

(b) 46,502,100 share options were exercised at the subscription price of HK$2.44 per share or HK$2.196 per share (note 38), resulting in the issue of 46,502,100 shares for a total cash consideration, before expenses, of RMB89,794,000. An amount of RMB20,229,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

38. SHARE OPTION SCHEME

2007 Scheme

The Company operated a share option scheme (the "2007 Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. Eligible participants of the 2007 Scheme included the Company's executive and non-executive directors and the Group's senior management, key technical and professional personnel, managers and employees, but did not include the Company's independent non-executive directors. The 2007 Scheme became effective on 22 November 2007 and expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the 2007 Scheme continued to be valid and exercisable in accordance with the terms of issue.

The maximum number of unexercised share options currently permitted to be granted under the 2007 Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period was limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit was subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, were subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options might be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options was related to the performance of individuals and of the Company. The board of directors would determine performance targets concerned and set out in the grant notice. The share options granted would become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options was determinable by the directors, but might not be less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

Share options did not confer rights on the holders to dividends or to vote at shareholders' meetings.

38. SHARE OPTION SCHEME (Continued)

2007 Scheme (Continued)

The following share options were outstanding under the 2007 Scheme during the year:

	2019		2018	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	**2.32**	**138,354,900**	2.21	155,597,880
Forfeited during the year	**2.20**	**(2,594,800)**	2.20	(12,216,000)
Exercised during the year	**2.23**	**(46,502,100)**	2.27	(5,026,980)
At 31 December	**2.20**	**89,258,000**	2.32	138,354,900

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.23 per share (2018: HK$2.27 per share).

The exercise prices and exercise periods of the share options outstanding under the 2007 Scheme as at the end of the reporting period are as follows:

2019

Number of options	Exercise price* HK$ per share	Exercise period
8,017,800	**2.196**	**17 October 2018 to 16 October 2023**
37,128,200	**2.196**	**17 October 2019 to 16 October 2023**
44,112,000	**2.196**	**17 October 2020 to 16 October 2023**
89,258,000		

2018

Number of options	Exercise price* HK$ per share	Exercise period
2,749,800	2.44	28 November 2014 to 27 November 2019
3,664,100	2.44	28 November 2015 to 27 November 2019
41,409,000	2.196	17 October 2018 to 16 October 2023
45,128,000	2.196	17 October 2019 to 16 October 2023
45,404,000	2.196	17 October 2020 to 16 October 2023
138,354,900		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

38. SHARE OPTION SCHEME (Continued)

2007 Scheme (Continued)

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), of which the Group recognised a share option expense of HK$14,328,000 (equivalent to RMB12,604,000) (2018: RMB21,911,000) during the year ended 31 December 2019.

The 46,502,100 share options exercised during the year resulted in the issue of 46,502,100 ordinary shares of the Company and new share capital of HK$126,989,000 (equivalent to RMB110,023,000) (before issue expenses), as further detailed in note 37 to the financial statements.

New Scheme

On 29 January 2019, a new share option scheme (the "New Scheme") was adopted by the Company to enhance the Company's continuous commitment to eligible participants and enhance them to pursue the objectives of the Company. On 8 February 2019, an aggregate of 265,950,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$3.99 per share. One-third of the share options granted will be vested in two years from 8 February 2019, one-third of the share options granted will be vested in three years from 8 February 2019 and one-third of the options granted will be vested in four years from 8 February 2019. Once the share options are vested, they are exercisable until 7 February 2026.

On 9 September 2019, an aggregate of 9,000,000 share options were granted under the New Scheme to eligible participants of the Group. These share options have an exercise price of HK$4.58 per share. One-third of the share options granted will be vested in two years from 9 September 2019, one-third of the share options granted will be vested in three years from 9 September and one-third of the options granted will be vested in four years from 9 September. Once the share options are vested, they are exercisable until 8 September 2026.

According to the terms of the New Scheme, the board of directors shall at its absolute discretion grant to any participant a certain number of options at any time within 10 years after the adoption date of the New Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the New Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company.

Unless an approval of shareholders is obtained at a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the share options (including exercised, cancelled and outstanding options) granted under the New Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further options shall be granted to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay a consideration of HK$1 or the equivalent (to be determined on the date when the offer of the grant is accepted) to the Company for acceptance of the offer of the grant of the share option.

38. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the New Scheme during the year:

	2019	
	Weighted average exercise price HK$ per share	Number of options
At 1 January	–	–
Granted during the year	4.01	274,950,000
Forfeited during the year	3.99	(5,850,000)
At 31 December	4.01	269,100,000

The exercise prices and exercise periods of the share options outstanding under the New Scheme as at the end of the reporting period are as follows:

2019

Number of options	Exercise price* HK$ per share	Exercise period
86,694,000	3.99	8 February 2021 to 7 February 2026
86,694,000	3.99	8 February 2022 to 7 February 2026
86,712,000	3.99	8 February 2023 to 7 February 2026
3,000,000	4.58	9 September 2021 to 8 September 2026
3,000,000	4.58	9 September 2022 to 8 September 2026
3,000,000	4.58	9 September 2023 to 8 September 2026
269,100,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

38. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

The fair value of the share options granted during the year ended 31 December 2019 was HK$257,594,000, of which the Group recognised a share option expense of HK$81,174,000 (equivalent to RMB71,412,000) during the year ended 31 December 2019.

The fair value of equity settled share options granted during the year ended 31 December 2019 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	4.80 – 5.26
Expected volatility (%)	37.65 – 41.15
Historical volatility (%)	37.65 – 41.15
Risk-free interest rate (%)	1.15 – 1.63
Contractual life of options (year)	7.00
Exercise multiple (times)	1.5 – ∞
Weighted average share price (HK$ per share)	3.99 – 4.58

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 89,258,000 share options outstanding under the 2007 Scheme and 269,100,000 share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 358,358,000 additional ordinary shares of the Company and additional share capital of HK$1,275,030,000 (equivalent to RMB1,121,694,000) (before issue expenses).

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 166 to 167 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

Asset revaluation reserve

The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties carried at fair value.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Hedging reserve

The hedging reserve represents reserves related to net investment hedges and cash flow hedges.

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2019			
Percentage of equity interest held by non-controlling interests	**72.50%**	**73.50%**	**33.23%**
(Loss)/profit for the year allocated to non-controlling interests	**(31,777)**	**162,170**	**81,864**
Dividends declared to non-controlling interests	**–**	**–**	**173,758**
Accumulated balances of non-controlling interests at the reporting date	**2,118,243**	**3,435,124**	**1,766,603**

	Jin Mao Hangzhou RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2018			
Percentage of equity interest held by non-controlling interests	50%	73.50%	33.23%
Profit/(loss) for the year allocated to non-controlling interests	13,656	(22,878)	83,214
Dividends declared to non-controlling interests	–	–	203,469
Accumulated balances of non-controlling interests at the reporting date	1,594,820	3,272,954	1,926,215

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Nanjing Runmao RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2019			
Revenue	1,983	1,629,011	2,473,670
Total expenses	(45,814)	(1,408,372)	(2,227,315)
(Loss)/profit for the year	(43,831)	220,639	246,355
Total comprehensive (loss)/income for the year	(43,831)	220,639	153,223
Current assets	7,383,027	9,677,018	896,248
Non-current assets	3,225,715	376	17,115,259
Current liabilities	(7,365,102)	(3,828,407)	(8,389,723)
Non-current liabilities	(321,604)	(1,167,314)	(4,161,624)
Net cash flows from operating activities	4,621,579	3,733,050	620,182
Net cash flows used in investing activities	(846)	(1,149,956)	(140,050)
Net cash flows used in financing activities	(3,491,358)	(2,470,689)	(533,885)
Net increase/(decrease) in cash and cash equivalents	1,129,375	112,405	(53,753)

	Jin Mao Hangzhou RMB'000	Suzhou Anmao RMB'000	JCHIML Group RMB'000
2018			
Revenue	–	–	2,564,936
Total expenses	27,312	(31,127)	(2,314,518)
Profit/(loss) for the year	27,312	(31,127)	250,418
Total comprehensive income/(loss) for the year	27,312	(31,127)	(36,245)
Current assets	7,981,432	8,391,818	1,013,185
Non-current assets	2,813,495	11,152	17,018,215
Current liabilities	(7,605,287)	(2,890,136)	(8,687,414)
Non-current liabilities	–	(1,056,973)	(3,514,154)
Net cash flows from/(used in) operating activities	1,139,793	(1,004,438)	697,784
Net cash flows used in investing activities	(1,601,639)	(551,378)	(211,410)
Net cash flows (used in)/from financing activities	(1,031,489)	1,718,506	(647,208)
Net (decrease)/increase in cash and cash equivalents	(1,493,335)	162,690	(160,834)

41. BUSINESS COMBINATION

Business combination during the year mainly included the acquisitions of a number of property development companies and acquisition of additional interests in joint ventures and associates (collectively referred to as the "Acquirees"). 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.

The Group remeasured the fair value of the equity interest previously held as joint ventures or associates at the date of acquisition, and fair value gains of RMB346,240,000 were recognised in other income and gains in the consolidated statement of profit or loss during the year ended 31 December 2019 (note 5).

The Group has elected to measure the non-controlling interest in the Acquirees at the non-controlling interest's proportionate share of the Acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the Acquirees as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	13	154,654
Right-of-use assets	18(b)	20,690
Intangible assets	19	543
Properties under development	14	9,996,192
Properties held for sale		11,527,779
Deferred tax assets	35	175,748
Prepayments, other receivables and other assets		4,995,758
Prepaid tax		681,468
Restricted bank balance		5,705
Cash and cash equivalents		1,526,634
Trade and bills payables		(431,963)
Other payables and accruals		(17,108,997)
Interest-bearing bank and other borrowings	43	(6,680,625)
Lease liabilities	18(c), 43	(8,856)
Deferred tax liabilities	35	(440,671)
Total identifiable net assets at fair value		4,414,059
Non-controlling interests		(793,305)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5,6	(401,970)
		3,218,784
Satisfied by:		
Cash		1,318,088
Fair value of equity interest previously held as investments in joint ventures and associates		1,900,696
Total purchase consideration		3,218,784

41. BUSINESS COMBINATION (Continued)

The fair values of its other receivables as at the date of acquisition amounted RMB4,995,758,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

The Group incurred transaction costs of RMB1,206,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The Group recognised a gain on bargain purchase of approximately RMB401,970,000 in the consolidated statement of profit or loss for the year ended 31 December 2019, which was, in the opinion of the directors, primarily attributable to the Group's ability in negotiating the agreed terms of the transaction with the independent third parties, as the Group has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash consideration	(1,318,088)
Cash and bank balances acquired	1,526,634
Net inflow of cash and cash equivalents included in cash flows from investing activities	208,546
Transaction costs of the acquisition included in cash flows used in operating activities	(1,206)
	207,340

Since the acquisition, the Acquirees contributed RMB7,211,925,000 to the Group's revenue and incurred a loss of RMB177,996,000 to the consolidated profit for the year ended 31 December 2019 in aggregate.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB45,294,875,000 and RMB8,819,270,000, respectively.

42. DISPOSAL OF SUBSIDIARIES

During the years ended 31 December 2019 and 31 December 2018, the Group lost control over certain subsidiaries.

	Notes	2019 RMB'000	2018 RMB'000
Net assets disposed of:			
Property, plant and equipment	13	**1,034**	3,319
Intangible assets	19	**–**	156
Deferred tax assets	35	**23,371**	5,586
Cash and cash equivalents		**1,761,490**	2,198,191
Properties under development	14	**8,095,596**	11,421,201
Properties held for sale		**1,112,315**	–
Prepayments, other receivables and other assets		**3,178,688**	430,023
Prepaid tax		**486,314**	44,735
Trade and bills payables		**(591,881)**	(200,719)
Other payables and accruals		**(6,925,100)**	(10,046,053)
Interest-bearing bank and other borrowings	43	**(4,384,363)**	(2,822,952)
		2,757,464	1,033,487
Non-controlling interests		**(799,612)**	–
		1,957,852	1,033,487
Gain on disposal of subsidiaries	5	**1,018,026**	72,240
		2,975,878	1,105,727
Satisfied by:			
Cash		**1,652,586**	12,000
Fair value of interests retained by the Group		**1,323,292**	1,093,727
		2,975,878	1,105,727

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Cash consideration	**1,652,586**	12,000
Cash and cash equivalents disposed of	**(1,761,490)**	(2,198,191)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(108,904)**	(2,186,191)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB169,143,000 (including those classified under investment properties of RMB63,025,000) and RMB169,143,000, respectively (2018: Nil).

(b) Changes in liabilities arising from financing activities:

2019

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000	Lease liabilities RMB'000
At 31 December 2018	87,972,658	15,855,878	–	–
Effect of adoption of HKFRS 16	–	–	–	96,004
At 1 January 2019 (restated)	87,972,658	15,855,878	–	96,004
Changes from financing cash flows	5,173,543	(4,032,700)	(954,950)	(85,824)
Foreign exchange movement	593,673	–	–	–
New leases	–	–	–	169,143
Interest expense	–	–	–	7,430
2018 final dividends	–	–	507,871	–
2019 interim dividends	–	–	447,079	–
Dividends to non-controlling shareholders	–	931,616	–	–
Increase arising from acquisition of subsidiaries (note 41)	6,680,625	–	–	8,856
Decrease arising from disposal of subsidiaries (note 42)	(4,384,363)	–	–	–
At 31 December 2019	96,036,136	12,754,794	–	195,609

2018

	Bank and other loans RMB'000	Payable to non-controlling shareholders and others RMB'000	Amount due to immediate holding company RMB'000
At 1 January 2018	71,331,481	12,591,390	–
Changes from financing cash flows	17,562,591	3,264,488	(1,446,749)
Foreign exchange movement	1,575,618	–	–
2017 final dividends	–	–	847,811
2018 interim dividends	–	–	598,938
Increase arising from acquisition of subsidiaries	325,920	–	–
Decrease arising from disposal of subsidiaries (note 42)	(2,822,952)	–	–
At 31 December 2018	87,972,658	15,855,878	–

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases:

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**14,187**
Within investing activities	**–**
Within financing activities	**85,824**
	100,011

44. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees amounting to approximately RMB22,867,719,000 (2018: RMB23,836,930,000) in respect of mortgage facilities for certain purchasers of the Group's properties.

45. COMMITMENTS

(a) The Group had the following commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Properties under development	**35,050,688**	31,098,998
Land under development	**2,313,463**	1,566,159
Property, plant and equipment	**4,438**	9,789
Capital contributions to joint ventures and associates	**5,252,714**	2,672,607
	42,621,303	35,347,553

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its office properties under operating lease arrangements. Leases for properties were negotiated for terms ranging from one to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	41,929
In the second to fifth years, inclusive	59,144
	101,073

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are RMB5,518,000 due within one year.

46. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2019 RMB'000	2018 RMB'000
Fellow subsidiaries:			
Rental income*	(i)	**229,996**	202,030
Property management fee income*	(i)	**38,835**	38,051
Interest expense*	(ii)	**116,745**	38,619
Interest income*	(iii)	**105,441**	14,359
Building decoration service income	(i)	**6,894**	19,270
The immediate holding company:			
Rental expense	(i)	**5,229**	4,406
Interest expense	(ii)	**278,928**	121,115
An intermediate holding company:			
Rental income*	(i)	**84,568**	88,156
Property management fee income*	(i)	**11,698**	11,247
Interest expense	(v)	**91,927**	–
Building decoration service income	(i)	**2,788**	–
The ultimate holding company:			
Rental income*	(i)	**7,910**	7,910
Joint ventures:			
Interest income	(iv)	**1,605,299**	755,575
Interest expense	(v)	**48,461**	–
Consulting fee expense	(i)	**237,566**	142,586
Rental income	(i)	**3,793**	1,610
Property management fee income	(i)	**91,998**	42,224
Building decoration service income	(i)	**266,404**	74,455
Consulting fee income	(i)	**33,258**	30,360
Associates:			
Interest income	(iv)	**747,936**	134,657
Interest expense	(v)	**5,745**	11
Property management fee income	(i)	**47,921**	31,135
Building decoration service income	(i)	**245,830**	78,521
Consulting fee income	(i)	**60,538**	21,504
An associate of the Group's ultimate holding company:			
Rental income	(i)	**8,155**	36,740
Property management fee income	(i)	**34**	4,976
The substantial shareholder:			
Interest income*	(vi)	**30,042**	–
Interest expense	(vii)	**46,487**	–

46. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest expense was charged at rates ranging from 3.21% to 7.00% (2018: 3.01% to 3.10%) per annum.

(iii) The interest income was determined at rates ranging from 0.35% to 3.15% (2018: 0.35% to 2.18%) per annum.

(iv) The interest income was determined at rates ranging from 0.35% to 15.56% (2018: 2.46% to 10.26%) per annum.

(v) The interest expense was charged at rates ranging from 1.50% to 9.00% (2018: 7.00%) per annum.

(vi) The interest income was determined at rates ranging from 2.18% to 2.75% (2018: Nil) per annum.

(vii) The interest expense was charged at a rate of 5.50% (2018: Nil) per annum.

* A certain portion of these related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) **Compensation of key management personnel of the Group**

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**60,912**	59,904
Post-employment benefits	**3,154**	2,444
Equity-settled share option expense	**6,162**	1,499
Total compensation paid to key management personnel	**70,228**	63,847

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(c) **Transactions and balances with other state-owned entities**

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2019				2018			
	Financial assets at fair value through profit or loss				Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000	Designated as such upon initial recognition RMB'000	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets								
Trade receivables	–	–	1,445,864	1,445,864	–	–	789,588	789,588
Financial assets included in prepayments, other receivables and other assets	–	–	21,861,857	21,861,857	–	–	16,150,987	16,150,987
Due from related parties	–	–	44,013,972	44,013,972	–	–	38,974,577	38,974,577
Due from non-controlling shareholders	–	–	1,069,839	1,069,839	–	–	3,625,331	3,625,331
Other financial assets	96,351	230,000	–	326,351	1,061,480	180,000	–	1,241,480
Derivative financial instruments	–	–	–	–	–	847	–	847
Long-term time deposit	–	–	3,300,000	3,300,000	–	–	–	–
Restricted bank balances	–	–	7,486,609	7,486,609	–	–	4,457,579	4,457,579
Cash and cash equivalents	–	–	17,194,702	17,194,702	–	–	21,324,200	21,324,200
	96,351	230,000	96,372,843	96,699,194	1,061,480	180,847	85,322,262	86,564,589

47. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	2019			2018		
	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities						
Trade and bills payables	–	18,995,534	18,995,534	–	11,692,844	11,692,844
Financial liabilities included in other payables and accruals (note 31)	–	16,453,050	16,453,050	–	20,884,710	20,884,710
Derivative financial instruments	53,124	–	53,124	44,769	–	44,769
Due to related parties	–	30,675,182	30,675,182	–	15,885,404	15,885,404
Interest-bearing bank and other borrowings	–	96,036,136	96,036,136	–	87,972,658	87,972,658
Lease liabilities	–	195,609	195,609	–	–	–
Long-term payables	–	70,000	70,000	–	–	–
	53,124	162,425,511	162,478,635	44,769	136,435,616	136,480,385

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets				
Derivative financial instruments	–	847	–	847
Other financial assets	326,351	1,241,480	326,351	1,241,480
Financial liabilities				
Derivative financial instruments	53,124	44,769	53,124	44,769
Interest-bearing bank and other borrowings	96,036,136	87,972,658	97,339,102	88,668,471

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, long-term time deposit, trade receivables, financial assets included in prepayments, other receivables and other assets, wealth management products included in other financial assets at fair value through profit or loss, trade and bills payables, financial liabilities included in other payables and accruals, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings except for notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through profit or loss included in other financial assets, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

	2019 RMB'000	2018 RMB'000
Derivative financial instruments	–	847
Other financial assets	326,351	1,241,480

The Group's assets were neither categorised in Level 1 nor Level 3 as at 31 December 2019 (2018: Nil).

Liabilities measured at fair value:

Fair value measurement using significant observable inputs (Level 2)

As at 31 December 2019

	2019 RMB'000	2018 RMB'000
Derivative financial instruments	53,124	44,769

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

Assets for which fair values are disclosed:

The carrying amounts of the Group's financial assets were either measured at fair value in the statement of financial positions or approximate to fair values as at 31 December 2018 and 2019.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	27,584,520	69,754,582	–	97,339,102

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	18,589,681	70,078,790	–	88,668,471

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and other borrowings, and cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, including forward currency contracts and interest rate swaps. The purpose is to manage foreign currency risk arising from the Group's net investment in foreign operations, and to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2019		
RMB	**25**	**(46,092)**
US$	**25**	**(10,858)**
HK$	**25**	**(25,445)**
RMB	**(25)**	**46,092**
US$	**(25)**	**10,858**
HK$	**(25)**	**25,445**
31 December 2018		
RMB	25	(48,002)
US$	25	(6,343)
HK$	25	(38,205)
RMB	(25)	48,002
US$	(25)	6,343
HK$	(25)	38,205

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and has applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's revenue and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currencies out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without the prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the approval from the appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration of Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require the approval from the State Administration of Foreign Exchange, this could affect the ability of the Group's subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits and interest-bearing borrowings denominated in United States dollars and Hong Kong dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group have used derivative financial instruments to reduce the exposure to foreign currency borrowings.

The Group entered into the derivative financial instruments in respect of the cash flow hedges to minimise the foreign currency exposures as detailed in note 32 to the financial statements. It's the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and US$ on the Group's profits for the years ended 31 December 2019 and 2018.

Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2019 RMB'000	Increase/ (decrease) in profit for the year 2018 RMB'000
+1%	**(164,331)**	(121,208)
-1%	**164,331**	121,208

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2019 and 2018.

Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2019 RMB'000	Increase/ (decrease) in profit for the year 2018 RMB'000
+5%	**979**	1,084
-5%	**(979)**	(1,084)

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	267,009	267,009
Trade receivables*	–	–	–	1,445,864	1,445,864
Financial assets included in prepayments, other receivables and other assets					
– Normal**	21,861,857	–	–	–	21,861,857
Due from non-controlling shareholders	1,069,839	–	–	–	1,069,839
Due from related parties	44,013,972	–	–	–	44,013,972
Other financial assets	326,351	–	–	–	326,351
Long-term time deposit					
– Not yet past due	3,300,000	–	–	–	3,300,000
Restricted bank balances					
– Not yet past due	7,486,609	–	–	–	7,486,609
Cash and cash equivalents					
– Not yet past due	17,194,702	–	–	–	17,194,702
	95,253,330	–	–	1,712,873	96,966,203

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	154,500	154,500
Trade receivables*	–	–	–	789,588	789,588
Financial assets included in prepayments, other receivables and other assets					
– Normal**	16,150,987	–	–	–	16,150,987
Other financial assets	1,241,480	–	–	–	1,241,480
Restricted bank balances					
– Not yet past due	4,457,579	–	–	–	4,457,579
Cash and cash equivalents					
– Not yet past due	21,324,200	–	–	–	21,324,200
	43,174,246	–	–	944,088	44,118,334

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 25 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	30,178,188	22,237,272	38,204,185	14,855,638	105,475,283
Lease liabilities	91,418	54,688	43,431	70,876	260,413
Trade and bills payables	18,995,534	–	–	–	18,995,534
Other payables	16,453,050	–	–	–	16,453,050
Derivative financial instruments	18,133	8,349	26,642	–	53,124
Due to related parties	30,675,182	–	–	–	30,675,182
Long-term payables	11,305	17,211	51,633	–	80,149
	96,422,810	22,317,520	38,325,891	14,926,514	171,992,735

	2018				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	25,545,021	23,446,626	42,473,085	6,778,898	98,243,630
Trade and bills payables	11,692,844	–	–	–	11,692,844
Other payables	20,884,710	–	–	–	20,884,710
Derivative financial instruments	–	11,974	32,795	–	44,769
Due to related parties	15,885,404	–	–	–	15,885,404
	74,007,979	23,458,600	42,505,880	6,778,898	146,751,357

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital on the basis of the net debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents, restricted bank balances and certain financial assets at fair value through profit or loss. Adjusted capital comprises all components of equity (including non-controlling interests) and the Company's amounts due to the immediate holding company. The Group aims to maintain the net debt-to-adjusted-capital ratio at a reasonable level. The net debt-to-adjusted-capital ratios as at the end of the reporting periods were as follows:

	Note	2019 RMB'000	2018 RMB'000
Interest-bearing bank and other borrowings	33	**96,036,136**	87,972,658
Less: Cash and cash equivalents, restricted bank balances and certain other financial assets		**(24,682,388)**	(26,783,978)
Net debt		**71,353,748**	61,188,680
Total equity		**85,858,181**	78,265,267
Add: The Company's amounts due to the immediate holding company		**10,065,072**	7,859,546
Adjusted capital		**95,923,253**	86,124,813
Net debt-to-adjusted-capital ratio		**74.4%**	71.0%

50. EVENT AFTER THE REPORTING PERIOD

(a) On 12 March 2020, Beijing Franshion Yicheng Properties Company Limited ("Yicheng Properties"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Sinochem Asset Management Co., Ltd. ("Sinochem Asset"), pursuant to which Yicheng Properties agreed to acquire 100% equity interests of Wuhan Huazi Enterprise Management Consulting Co., Ltd. ("Wuhan Huazi") from Sinochem Asset at a cash consideration of RMB6,850,000,000. Wuhan Huazi and its subsidiaries are principally engaged in the development, construction and operation of real estate projects in Qingdao, Tianjin and Wuhan, the PRC. Upon completion of the acquisition, Wuhan Huazi will become a wholly-owned subsidiary of the Group. The Group is in the process of seeking approval from its independent shareholders in respect of the aforesaid acquisition, and will publish an announcement on the voting results of the general meeting in due course.

(b) On 13 March 2020, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, has completed the issue of the medium-term notes with an aggregate principal amount of RMB2,500,000,000. The medium-term notes have a term of 3 years with a fixed rate of 3.1% per annum.

50. EVENT AFTER THE REPORTING PERIOD (Continued)

(c) On 18 February 2020, China Jin Mao (Group) Co. Ltd. ("China Jin Mao (Group)"), a non-wholly-owned subsidiary of the Company, has completed the issue of the super & short-term commercial paper in the national interbank market in the PRC, of an amount of RMB800,000,000 and with a maturity period of 270 days and an interest rate of 2.9% per annum.

On 19 March 2020, China Jin Mao (Group) has completed the issue of the medium-term note in the national inter-bank market in the PRC, of an amount of RMB500,000,000 and with a maturity period of three years and an interest rate of 3.28% per annum.

(d) The unexpected outbreak of coronavirus (COVID-19) has produced an adverse impact on the economy, including the real estate sector, in Mainland China in 2020. It is expected that the performance of the Group's hotel operations and the commercial leasing and retail operations in the first half of 2020 will be negatively affected. Besides, the pandemic also created uncertainties on the Group's city operations and property development operation.

Management of the Group will actively take measures to control the operating and labor costs of its hotels, pay attention to cash flow management, integrate external resources and adjust business plans to make full preparation for business recovery after the pandemic.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

51. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**112**	84
Right-of-use assets	**212**	–
Investments in subsidiaries	**24,199,756**	23,303,848
Total non-current assets	**24,200,080**	23,303,932
CURRENT ASSETS		
Due from subsidiaries	**63,569,478**	53,347,891
Prepayments, other receivables and other assets	**851,866**	25,815
Due from related parties	**1,392**	1,239
Cash and cash equivalents	**1,654,390**	365,650
Total current assets	**66,077,126**	53,740,595
CURRENT LIABILITIES		
Other payables and accruals	**352,861**	307,575
Due to related parties	**11,481,289**	7,880,281
Interest-bearing bank and other borrowings	**9,701,731**	3,405,733
Lease liabilities	**180**	–
Total current liabilities	**21,536,061**	11,593,589
NET CURRENT ASSETS	**44,541,065**	42,147,006
TOTAL ASSETS LESS CURRENT LIABILITIES	**68,741,145**	65,450,938
NON-CURRENT LIABILITIES		
Due to subsidiaries	**33,461,753**	26,399,240
Interest-bearing bank and other borrowings	**11,948,399**	17,302,455
Derivative financial instruments	**34,991**	32,794
Total non-current liabilities	**45,445,143**	43,734,489
Net assets	**23,296,002**	21,716,449
EQUITY		
Share capital	**21,250,860**	20,416,452
Reserves (note)	**2,045,142**	1,299,997
Total equity	**23,296,002**	21,716,449

Li Congrui
Director

Jiang Nan
Director

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserve RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	(1,216,958)	–	35,320	3,130,113	1,948,475
Repurchases of shares	–	–	–	(88,011)	(88,011)
Final 2017 dividend declared	–	–	–	(1,700,592)	(1,700,592)
2018 interim dividend declared	–	–	–	(1,201,481)	(1,201,481)
Total comprehensive income for the year	1,069,950	(32,794)	–	1,284,719	2,321,875
Equity-settled share option arrangements	–	–	21,911	–	21,911
Exercise of share options	–	–	(2,180)	–	(2,180)
Transfer of share option reserve upon the forfeiture of share options	–	–	(3,364)	3,364	–
At 31 December 2018 and 1 January 2019	(147,008)	(32,794)	51,687	1,428,112	1,299,997
Final 2018 dividend declared	–	–	–	(1,018,798)	(1,018,798)
2019 interim dividend declared	–	–	–	(1,273,730)	(1,273,730)
Total comprehensive income for the year	547,355	(2,197)	–	2,428,728	2,973,886
Equity-settled share option arrangements	–	–	84,016	–	84,016
Exercise of share options	–	–	(20,229)	–	(20,229)
Transfer of share option reserve upon the forfeiture of share options	–	–	(2,545)	2,545	–
At 31 December 2019	400,347	(34,991)	112,929	1,566,857	2,045,142

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2020.

THE COMPANY'S REGISTERED OFFICE
Rooms 4702-4703, 47th Floor
Office Tower
Convention Plaza
No. 1 Harbor Road
Wanchai
Hong Kong

THE ISSUER'S REGISTERED OFFICE THE ISSUER'S REGISTERED OFFICE
Portcullis Chambers
4th Floor
Ellen Skelton Building
3076 Sir Francis Drake Highway
Road Town, Tortola
British Virgin Islands
VG1110

TRUSTEE AND PAYING AGENT
The Bank of New York Mellon,
London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT
The Bank of New York Mellon SA/NV,
Luxembourg Branch
Vertigo Building – Polaris
2-4 Eugène Ruppert
L-2453 Luxembourg

OUR LEGAL ADVISERS

As to United States law and Hong Kong law:
Clifford Chance
27th Floor
Jardine House
One Connaught Place
Central
Hong Kong

As to British Virgin Islands law:
Walkers (Hong Kong)
15th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

LEGAL ADVISERS TO THE INITIAL PURCHASERS

As to United States law:
Mayer Brown
16th – 19th Floors
Prince's Building
10 Chater Road
Central
Hong Kong

As to PRC law:
JunHe LLP
20/F, China Resources Building
8 Jianguomenbei Avenue
Dongcheng District
Beijing 10005
China

LEGAL ADVISER TO THE TRUSTEE

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321

AUDITOR
Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong